

2018 Follow-up research on strengthening stakeholder engagement

Qualitative and quantitative research report



National Research & Evaluation Unit

Te Wāhanga ā-motu mo te Rangahau me Aromātai

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Classification: Inland Revenue Highly Protected

Strengthening stakeholder engagement

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Executive summary

This report presents the findings of 2018 follow-up research to assess Inland Revenue's engagement with key stakeholders through its transformation.

Research purpose

The research purpose is to monitor Inland Revenue's engagement and reputation through the business transformation process. The research targets stakeholders identified by the Executive Leadership Team as having an important role in the transformation process. In 2018, the research highlights trends in Inland Revenue's engagement with stakeholders compared with the 2015 and 2016 results. The research also identifies key improvements to strengthen Inland Revenue's engagement.

Research method

As in 2015 and 2016, we used a mixed-method approach. We completed 22 in-depth interviews. An online survey was completed by 118 stakeholders; a response rate of 52%. Fieldwork was completed between 14 February and 26 March 2018.

Research conclusions

In a dynamic environment of internal restructure, Inland Revenue has maintained and in some areas strengthened engagement with its stakeholders.

- Stakeholders describe Inland Revenue as an exemplar of best practice in stakeholder engagement.
- Inland Revenue is accessible, open minded, and provides accurate, timely and mainly consistent information.
- Stakeholders' support for Inland Revenue's transformation and confidence that Inland Revenue will deliver the changes is increasing.
- Stakeholders' engagement with Inland Revenue on the transformation is increasing as is their understanding of transformation goals and priorities.
- Stakeholders acknowledge improvements in Inland Revenue's ability to collaborate and most (but not all) welcome the opportunity to collaborate.

Perceptions of Inland Revenue's engagement, collaboration and transformation vary across stakeholder groups.

- Central government agencies, business representative groups, government agencies, the financial sector, and vendors and suppliers are mainly positive about their engagement with Inland Revenue.
- Tax agents/intermediaries have mixed perceptions about Inland Revenue's engagement. Tax agents/intermediaries are mainly positive about Inland Revenue's operation engagement. However, they are less supportive about how Inland Revenue is changing and its ability to deliver.
- Large enterprises have positive experiences in their day-to-day engagement with Inland Revenue. However, those interviewed stated Inland Revenue is not addressing their complex needs through the transformation and is increasing their workload with little direct benefit.

- Local government stakeholders have a distant relationship with Inland Revenue due to the lack of engagement with their sector.

Areas for improvement suggested by stakeholders

- More tailored information on Inland Revenue's transformation, particularly the long-term vision and the implications for other organisations' systems, processes and customer interfaces.
- Ensuring privacy protections of citizens are considered when designing the infrastructure and determining information sharing with other government agencies.
- Building on Inland Revenue's collaboration gains, particularly delivering more collaborative policy processes, while retaining the rigour of the Generic Tax Policy Process (GTPP).

Future work and research

- Review whether the current questions in the stakeholder engagement survey continue to be fit-for-purpose at this stage of Inland Revenue's transformation process.
- Conduct further research with large enterprises to fully understand their issues and to identify an appropriate engagement strategy that meets their needs and addresses their concerns.

Introduction

Detailed below is the research context.

Inland Revenue engages with a broad and diverse range of external stakeholders

Engagement occurs throughout Inland Revenue's business areas and at different levels from Chief Executive meetings, and operational day-to-day relationships to ad-hoc interactions. Inland Revenue also runs a number of stakeholder committees (e.g., the Transformation Reference Group).

Inland Revenue's stakeholder engagement is informed by its Enterprise Stakeholder Engagement Framework and the *Corporate strategy – External Collaboration* (Inland Revenue 2016). The *Corporate strategy* commits Inland Revenue to working with external stakeholders to "innovate, gain insight, and achieve wider government economic and social outcomes". Inland Revenue's commitment to collaboration involves working with others to deliver better services, using co-design and co-delivery, sharing information and expertise, and consulting with stakeholders.

Inland Revenue is transforming to better meet changing needs and contexts

In 2014, Inland Revenue embarked on a significant transformation programme to make it simpler for New Zealanders to pay taxes and receive entitlements. The purpose of change is to better fit with how New Zealanders live and how businesses operate in today's world. Inland Revenue is involving change experts, individual customers, businesses, third parties and the wider government sector in its transformation. The transformation has four stages:

- enabling secure digital services (released in February 2017)
- streamlining business tax processes (released in April 2018)
- streamlining income tax processes and social policy delivery
- completing delivery of the future revenue system.

Inland Revenue is engaging with external stakeholders through the transformation

Inland Revenue is engaging with stakeholders about changes in policy and design to meet New Zealanders' needs now and in the future. The engagement purpose is to secure stakeholders' support and confidence in the transformation direction, mitigate risks and manage expectations (Inland Revenue 2015a).

Throughout the change period, Inland Revenue has engaged with external stakeholders, through formal and informal channels. In 2017, Inland Revenue engaged with stakeholders on two Official Issues Papers, *Better administration of individuals' income tax* (June 2017), and *Better administration of social policy* (July 2017). Recent public engagement focused on notifying stakeholders of progress and direction, and of changes to myIR and the introduction of the Accounting Income Method (AIM).

Before the stage two release in April 2018, Inland Revenue held a series of webinars to update stakeholders about the changes. These webinars particularly targeted tax agents/intermediaries.

Inland Revenue is monitoring external stakeholder engagement to drive continuous improvements

In July 2015, Litmus (www.litmus.co.nz) conducted research to benchmark external stakeholders' satisfaction with their engagement with Inland Revenue. The research was repeated in 2016 and 2018 to assess changes in Inland Revenue's stakeholder engagement, and identify ways to strengthen that engagement.

Research methodology

Detailed below are the research scope and the research methods.

Scope and research objectives

The research purpose is to monitor Inland Revenue's engagement and reputation through the business transformation process.

The **core business objective** for this follow-up research is to help Inland Revenue improve engagement by understanding stakeholder concerns about their relationship with Inland Revenue.

In 2018, the **key research aim** is to provide a high-level organisational view of how Inland Revenue engages with its stakeholders, what is done well and identify improvements, compared with the 2015 and 2016 research findings (Litmus 2015 and 2016).

The main research topic areas continue to be:

- stakeholders' satisfaction with Inland Revenue's engagement and collaboration
- stakeholders' understanding of how Inland Revenue is transforming
- stakeholder's view of how well Inland Revenue contributes to innovation and wider social and economic outcomes.

Research methods

As in 2015 and 2016, Litmus used a mixed-method research approach to address the business objective. We completed in-depth qualitative interviews with key stakeholders and an online quantitative survey of other stakeholders. This approach provides Inland Revenue with an overview of how perceptions of their engagement is changing supplemented with an in-depth understanding of what is driving perceptions and identification of suggested improvement areas.

The research targets stakeholders identified by the Executive Leadership Team as having an important role in the transformation process.

Qualitative in-depth interviews

We completed 22 in-depth qualitative interviews to understand Inland Revenue's engagement with stakeholders. We interviewed stakeholders from business representative groups, vendors and suppliers, government agencies, central government agencies, financial sector, tax agents/intermediaries, and large enterprises. The stakeholder sample was comparable to 2015 and 2016 with the addition of large enterprises in 2018. Table 1 below details the qualitative sample frame.

We followed an informed consent process. Interviews lasted 30–45 minutes, were audio recorded and transcribed. Where requested, stakeholders received a copy of their interview transcript to review and amend. We interviewed stakeholders face-to-face or by phone. In-depth interviews took place between 26 February and 14 March 2018.

Quantitative survey

We developed the online survey in 2015. The survey was modified slightly in 2016 and unchanged in 2018 to allow comparisons across time.

Litmus emailed a link to the online survey, hosted by SurveyMonkey, to a list of 229 stakeholders supplied by Inland Revenue. Of these, 118 completed or partially completed the survey, a response rate of 52%.¹ Table 2 details the sample achieved across the key sectors with their response rates.

The survey was in field between 14 February and 26 March 2018.

James Reilly, Statistical Insights, weighted the data of the 2015, 2016 and 2018 surveys to enable comparison of results across the years.

The maximum margin of error for differences across the 2015, 2016 and 2018 surveys at a total sample level is ±9.5 percentage points. Only statistically significant differences are noted in the report.

The key limitation of the research is the relatively low sample sizes within sectors, which limits the ability to undertake sub-group analysis.

Table 1: Achieved survey sample and response rate and qualitative sample

Sector	Survey sample	Survey responses	Survey response rate	Qualitative interviews
Government	50	26	52%	2
Central government	9	2	22%	3
Business representative groups	17	9	53%	3
Large enterprises	7	3	43%	4
Financial sector	33	19	58%	3
Tax agents/intermediaries	10	7	70%	2
Vendors and suppliers	18	14	78%	4
Others*	19	7	37%	2
Local government	66	31	47%	–
Total	229	118	52%	23

* Others include software developers (payroll and accounting), payroll software providers, payroll intermediaries, professional bodies, not-for-profit organisations and unions.

Appendix 1 contains the research tools.

Report structure

Following feedback on the 2016 research report, we have structured the research findings into two sections:

- Quantitative survey results at a total sample level to demonstrate key trends in stakeholders’ perceptions of Inland Revenue’s engagement supported by key findings from across the qualitative interviews.
- Research findings for each sector, drawing as appropriate on the quantitative and/or qualitative research findings. Sector findings are representative of the stakeholders who completed an interview or survey. We acknowledge wider stakeholders in the sector may hold different views. However, findings within a sector group were mainly consistent.

Appendix 2 contains the research tables as a total sample for 2015, 2016 and 2018.

Appendix 3 contains the 2018 research tables at a total sample and sector level.

¹ In 2016, we achieved a response rate of 55%.

Results: Overall rating of Inland Revenue’s stakeholder engagement in 2018

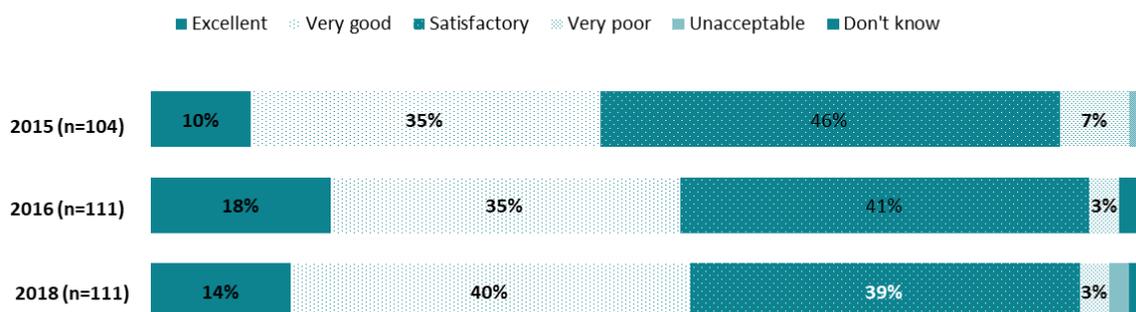
This section presents the quantitative findings for Inland Revenue’s stakeholder engagement at a total sample level supported by overarching themes from the qualitative interviews. We present the findings in three parts: Inland Revenue’s overall engagement; transformation engagement; and contribution to New Zealand’s wider economic and social outcomes.

Assessing Inland Revenue’s engagement

Stakeholders continue to view Inland Revenue’s engagement very positively

Similar to 2015 and 2016, 93% of stakeholders have a positive perception of their engagement with Inland Revenue over the last six months (94% in 2016 and 91% in 2015).²

Graph 1: Overall rating of Inland Revenue's engagement over the last 6 months



Stakeholders interviewed are mainly positive about their relationship and engagement with Inland Revenue. Stakeholders mainly describe a mature relationship with constructive and systematic engagement. They consider Inland Revenue open-minded and actively engaging. Stakeholders are particularly positive about engagement on operational day-to-day matters.

Perceptions of Inland Revenue’s engagement vary across stakeholder groups

Stakeholders across sectors have varying perceptions of Inland Revenue’s engagement. This variation reflects their drivers for engagement with Inland Revenue, and their level of involvement in the transformation process. Central government agencies, business representative groups, government agencies, the finance sector and vendors and suppliers tend to be more positive about their engagement with Inland Revenue. Tax agents have mixed perceptions of engagement. Large enterprises are positive about operational engagement. However, they are concerned their complex needs are not addressed in the transformation process. Local government stakeholders are less positive due to Inland Revenue’s infrequent engagement with them.

² Table 1, appendix 2

Details of engagement for each sector are in the following results section.

Inland Revenue's engagement is stable or improving

In 2018, six in ten stakeholders (59%) said their engagement with Inland Revenue stayed the same over the last six months. A quarter (24%) said their engagement with Inland Revenue had improved.

One in ten stakeholders (11%) said engagement had got worse. These were one to two stakeholders across the sectors, with the exception of business representative groups, central government agencies and local government.³

Most stakeholders interviewed commented that Inland Revenue's engagement had remained the same or improved over the last year. Some stakeholders noted Inland Revenue's engagement had become more facilitative and less combative. A few with a close working relationship acknowledged the Commissioner and the Executive Leadership Team are driving these changes.

A few years ago, they had a very combative culture, and it was a bit of a bully boy way of dealing with corporates and consumers. I get the sense that's changing a bit and they're trying to be more user-friendly. They seem to be putting in a bit of effort around that. That's encouraging. (Large enterprise)

Components of Inland Revenue's engagement continue to be rated positively

In 2018, seven in ten stakeholders (72%) agreed Inland Revenue provides accurate information.⁴ Six in ten agreed Inland Revenue is flexible (66%),⁵ responsive (66%),⁶ consistent in its messages (62%),⁷ delivers on promises (61%),⁸ actively listens (59%),⁹ and offers timely engagement (56%).¹⁰

In 2018, Inland Revenue maintained improvements to increased ratings for timely engagement, accuracy of information and responsiveness to queries made between 2015 and 2016. In 2018, there were no significant increases or decreases in ratings compared with 2015 and 2016.

In the qualitative interviews, some stakeholders perceived Inland Revenue's restructure in 2017 had adversely affected its staff capacity. They perceived Inland Revenue's staff to be under pressure and not as responsive or as timely in their engagement. A few felt these issues may resolve when the restructuring is completed.

Their recent restructuring has had a greater than anticipated impact on staff morale, and that has been quite distracting. The day-to-day performance of the teams we engage with has fallen off. Now they're through that restructure and starting to settle and operate. They do have to lift the morale and motivation, but are working hard on that. (Finance sector)

Inland Revenue's engagement is better or the same as other partners

Inland Revenue is a leader in engaging well with partners. Three quarters of stakeholders said Inland Revenue's engagement is the same (43%) or better (29%) than other partners' engagement. These ratings are unchanged from the 2015 benchmark (70%) and the 2016 survey (76%).

³ Table 2, appendix 2

⁴ Table 10, appendix 2

⁵ Table 15, appendix 2

⁶ Table 11, appendix 2

⁷ Table 13, appendix 2

⁸ Table 14, appendix 2

⁹ Table 12, appendix 2

¹⁰ Table 9, appendix 2

Two in ten stakeholders (18%) think Inland Revenue's engagement is worse than that of their other partners. These were one to two stakeholders across the sectors, with the exception of central government agencies.¹¹

In qualitative interviews, most stakeholders commented that Inland Revenue's engagement is better than or similar to other partners. For those in central government and government agencies, Inland Revenue is an exemplar of effective cross-agency engagement and collaboration.

Most stakeholders receive the right amount of engagement from Inland Revenue

As in 2015 and 2016, most stakeholders agreed Inland Revenue's engagement over the last six months was at the right level (72%). One in ten thought there was too little engagement (13%), or had no contact with Inland Revenue (9%). The latter tended to be local government stakeholders.¹²

In the qualitative interviews, most stakeholders had the right level and frequency of engagement with Inland Revenue. These stakeholders tended to have multiple operational and strategic interactions with Inland Revenue at various levels in their organisations. Stakeholders particularly valued face-to-face meetings, their relationship manager, being invited to workshops, and having access to senior managers and the Commissioner.

Many stakeholders interviewed participated in advisory or other reference groups (e.g., the Software Liaison Group, Tax Payer Simplification Group). Involvement in these groups enhances their access to information and depth of understanding, and fosters trusting relationships based on a shared understanding. They also offer a forum to discuss and debate areas of disagreement.

Relationship managers are key point of contact for stakeholders

In 2018, 68% of stakeholders had at least one interaction with Inland Revenue's relationship managers over the last six months. Contact with relationship managers has steadily increased compared with 49% in 2015.¹³ Stakeholders interviewed commented their relationship manager enabled their day-to-day operational engagement. Relationship managers facilitated access to information on Inland Revenue's transformation for some stakeholders.

Stakeholders appreciated access to the Commissioner and the Executive Management Team

In 2018, 45% of stakeholders had at least one interaction with the Executive Management Team.¹⁴ Stakeholders interviewed valued interactions with senior management, particularly at events. The Commissioners and the Executive Leadership Team are seen as proactively leading and role modelling effective and positive engagement. Some stakeholders are seeking more access to senior leaders.

[The Commissioner's] leadership has increased the engagement. She is very accessible and willing to engage. She turns up and speaks at a lot of industry events and then she stays around afterwards and talks to people. She role models engagement for the rest of the leadership team. (Finance Sector)

Inland Revenue's workshops and public events are important mechanisms for sharing information

In 2018, half of all stakeholders (46%) attended a seminar, workshop or public event held by Inland Revenue at least once in the last six months.¹⁵ This attendance rate is similar to the 2016 and 2015 rate. Stakeholders interviewed were positive about events they attended. These events helped stakeholders understand what Inland Revenue is doing and how it is working.

¹¹ Table 3, appendix 2

¹² Table 8, appendix 2

¹³ Table 5, appendix 2

¹⁴ Table 4, appendix 3

¹⁵ Table 6, appendix 2

Auckland-based stakeholders interviewed are seeking more events and meetings with the Executive Leadership Team in their region.

Assessing Inland Revenue's transformation engagement

Stakeholders support for Inland Revenue's transformation is increasing

In 2018, three quarters of stakeholders (72%) agree Inland Revenue is changing for the better, up from half (55%) in 2015.¹⁶ As in 2015 and 2016, two thirds (67%) think Inland Revenue will make the tax system better.¹⁷

In the qualitative interviews, stakeholders also supported Inland Revenue's transformation as it will benefit them and their customers.

Inland Revenue is improving its computer systems and its software platform, which is very welcome and possibly overdue. The potential is there for improved interaction between tax payers and the Commissioner as a result of those software changes, so that's good.
(Business representative group)

Stakeholders are increasingly confident in Inland Revenue's direction and ability to deliver

From 2015 to 2016, stakeholders' confidence in Inland Revenue's direction and ability to deliver change significantly increased. In 2018, Inland Revenue maintained this increase. Over half (56%) agree Inland Revenue's engagement creates confidence in their direction (up from 39% in 2015).¹⁸

In 2018, there was no change to stakeholders' perception that Inland Revenue's engagement creates confidence it will successfully deliver the change, around half agreed (48%).¹⁹

In the qualitative interviews, most stakeholders are confident Inland Revenue will deliver the change. Some stakeholders, who are consulted regularly about changes to tax policy and legislation, are finding the pace of change overwhelming. These stakeholders struggle to contribute to all requests for input, and question whether the pace of change adversely impacts policy and legislation developed.

These stakeholders appreciate policy and other departments are under considerable time pressures due to a range of factors (not always under their control). However, they are concerned time pressures mean the best practice Generic Tax Policy Process (GTPP) is not followed.

Stakeholders understand Inland Revenue's transformation goals and priorities

Most stakeholders are aware of Inland Revenue's transformation goals and priorities. Around nine in ten stakeholders surveyed can answer questions about Inland Revenue's engagement on its transformation. One in ten stakeholders had little awareness, answering 'don't know' for these questions. Awareness was lower amongst local government.

In 2016, Inland Revenue made significant gains in engaging with stakeholders, proactively communicating, and improving stakeholders' understanding of their transformation priorities. In 2018, Inland Revenue improved stakeholder understanding in these areas, specifically.

¹⁶ Table 25, appendix 2

¹⁷ Table 26, appendix 2

¹⁸ Table 21, appendix 2

¹⁹ Table 22, appendix 2

- 61% agree Inland Revenue engages with those interested and affected by the transformation (up from 44% in 2015).²⁰
- 67% agree Inland Revenue is proactively ensuring stakeholders understand what it is trying to achieve through the transformation (up from 47% in 2015)²¹

Six in ten stakeholders think Inland Revenue ensures stakeholders understand its priorities (61%).²² There was no significant change between 2016 and 2018. However, Inland Revenue maintained gains made in 2016.

In qualitative interviews, all stakeholders are aware of Inland Revenue’s transformation. Stakeholders’ depth of knowledge about Inland Revenue’s transformation varies across sectors. Stakeholders more involved in the transformation talk about a culture change process through which new technology will enable Inland Revenue to be more customer-focused. Others less involved tended to focus more on the information technology aspects of the change.

It is basically a complete transformation of the way the tax system is administered. It is attempting to put the tax system into a digital first environment and apply modern technologies to the system so that we can leverage those advantages from data analytics and cost perspective. (Financial sector)

Stakeholders interviewed receive their information on the transformation from a range of Inland Revenue sources, including: Inland Revenue’s website, newsletters, advisory group briefings, face-to-face meetings and consultation documents. The need for more information about Inland Revenue’s transformation varies across stakeholders. Most stakeholders want to have a good oversight of the changes. Some stakeholders are feeling overloaded and are seeking a way to prioritise information without losing their high level overview.

As Inland Revenue’s transformation moves towards business-as-usual, stakeholders are seeking information on implications of the changes for their organisation and customers/members.

Stakeholders’ collaboration with Inland Revenue is strengthening

Inland Revenue, through its External Corporate Strategy for External Collaboration, has been seeking to move engagement with stakeholders from ‘inform and consult’ to ‘involve and collaborate’ (figure 1).

Evidence from the stakeholder survey and interviews highlight Inland Revenue is moving the dial on their engagement. Stakeholders consider Inland Revenue understands the shared benefits gained through involvement and collaboration. This positive shift reflects a number of work streams across Inland Revenue to improve stakeholder involvement.

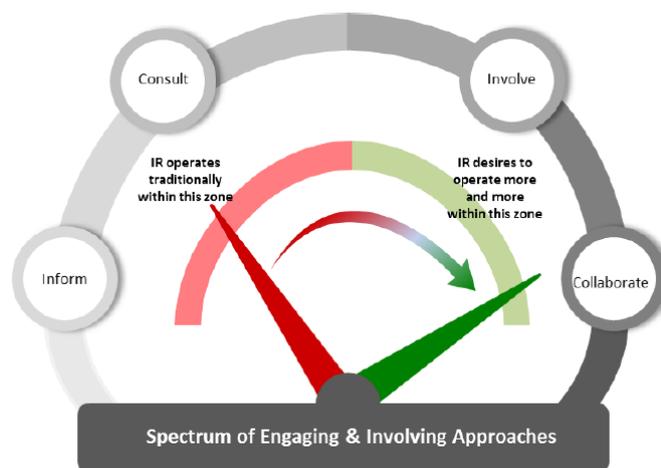


Figure 1: Stakeholder engagement spectrum

²⁰ Table 16, appendix 2

²¹ Table 17, appendix 2

²² Table 18, appendix 2

Inland Revenue understands the benefits of collaboration

In 2018, more stakeholders agree Inland Revenue appreciates the need to consider the impact of its changes on other organisations, and identify ways for others to contribute:

- 56% agree Inland Revenue considers the impact of the transformation on their business and interface with customers (up from 38% in 2015).²³
- 47% agree Inland Revenue understands how stakeholders can contribute to its transformation (up from 31% in 2015).²⁴

Inland Revenue is creating opportunities to collaborate

In 2018, more stakeholders agree Inland Revenue enables them to collaborate:

- 59% agree Inland Revenue creates opportunities for effective collaboration compared with 49% in 2016 and 35% in 2015.²⁵

Collaboration is enabling shared outcomes

The intent of collaboration is to achieve shared outcomes. In 2018, half of stakeholders surveyed agree collaboration results in positive outcomes for shared customers:

- 47% agree Inland Revenue collaborates to create innovative customer-centric solutions.²⁶
- 40% agree Inland Revenue ensures a seamless service for its shared customers.²⁷

Not all stakeholders want to collaborate, some prefer to be consulted or involved

In the qualitative research, stakeholders had varied engagement experiences. Most stakeholders are at the consult end of the spectrum. Some stakeholders described a noticeable shift in Inland Revenue becoming more collaborative through the transformation process. These stakeholders tend to have shared customers/interfaces, or a vested interest in the technology solutions (e.g., government agencies, tax agents and software developers). These stakeholders have much to gain through collaboration.

Stakeholders' preferences on how they wanted to engage with Inland Revenue vary depending on the reason for engagement. Collaboration was seen as important in the early design stage of policy or tax process to discuss and debate different approaches. Collaboration also has a role when seeking to implement agreed policy or legislative changes. However, formal consultation (e.g., as part of the GTTP) is seen as a protective function, and is a formal mechanism for disagreements to be noted and heard.

Stakeholders in advocacy roles wanted to be involved. They are reluctant to collaborate due to the resource commitment required. Stakeholders in regulatory roles said collaborating would undermine the independence of their role. Some vendors and suppliers prefer to be consulted as they are supplying defined products.

We are resource constrained. We might not be able to do everything going forward... But certainly on the bigger stuff in terms of legislation then we and other stakeholders would like to see that next level of collaboration. It makes for better outcomes than going back and forth for months and writing massive submissions. That is not effective use of anyone's time and resource. (Tax agent)

²³ Table 23, appendix 2

²⁴ Table 20, appendix 2

²⁵ Table 19, appendix 2

²⁶ Table 28, appendix 2

²⁷ Table 24, appendix 2

Contribution to New Zealand's wider outcomes²⁸

Stakeholders agree Inland Revenue contributes to economic and social wellbeing

As in 2016, two thirds of stakeholders agree Inland Revenue contributes to improving New Zealand's economic and social wellbeing, and to wider outcomes for New Zealand. Around half think Inland Revenue contributes to a seamless experience of government for customers. There was no change across 2016 and 2018.

- Around two thirds agree or strongly agree Inland Revenue contributes to improved economic (69%)²⁹ and social (63%)³⁰ wellbeing for New Zealand.
- 61% agree or strongly agree Inland Revenue understands how it can contribute to wider outcomes for New Zealand.³¹
- 45% agree or strongly agree Inland Revenue contributes to a seamless experience of government for customers.³²

Stakeholder perception on Inland Revenue's contribution to wider outcomes varies

Stakeholders interviewed demonstrate diverse opinion on Inland Revenue's contribution to wider outcomes. Some stakeholders continue to see Inland Revenue as almost exclusively a revenue gathering organisation. These stakeholders think Inland Revenue contributes broadly to New Zealand's economic outcomes.

I still see it as taking as much tax as possible. (Large enterprise)

Fewer stakeholders perceive Inland Revenue's contribution to New Zealand's social wellbeing. Those who acknowledge this contribution tend to talk about Inland Revenue's involvement in student loans, child support and Working for Families. A few stakeholders believe Inland Revenue should not be involved in social policy as their job is to collect revenue for the Government.

Provision of revenue for the Crown is the main way they contribute to wellbeing and the efficiency of things like Working for Families. They are tied into some of the social provisions like managing child support in collaboration with Ministry of Social Development. (Central government agency)

'A good tax system is critical for functioning society' is a deeply held belief of Inland Revenue staff. It is a powerful cultural asset. They genuinely believe that they, by running the tax system, and rightly so, are contributing to the health and wellbeing of society. (Finance sector)

²⁸ In 2016, new questions were added to the survey to assess stakeholders' perceptions of their contribution to wider social and economic outcomes. These questions were repeated in 2018.

²⁹ Table 30, appendix 2

³⁰ Table 31, appendix 2

³¹ Table 27, appendix 2

³² Table 29, appendix 2

Results: Stakeholder engagement across key sectors

This section presents the research findings for each of Inland Revenue's stakeholder engagement groups. For each group, we tailor the findings to their reasons for engaging with Inland Revenue. We offer insight into what Inland Revenue is doing well on its day-to-day operational and strategic engagement. We also identify areas where Inland Revenue can strengthen its engagement.

The findings are based on sub-group samples achieved in the survey, and the common themes from in-depth stakeholder interviews. Where sub-sample sizes are small, we present only the qualitative research findings. Given the small sample sizes, we have not presented quantitative findings as percentages.

Detailed data tables supporting the findings are in appendix 3.

We present the sub-group findings from those most positive about Inland Revenue's engagement, those with mixed views, and those less positive:

- Central government agencies
- Business representative groups
- Government agencies
- Financial sector
- Vendors and suppliers
- Tax agents/intermediaries (referred to as tax agents)
- Large enterprises
- Local government.

Central government agencies³³

Central government agencies engage with Inland Revenue at a strategic level

Central government agencies have specialist and regulatory-based engagement with Inland Revenue. Their reasons for engagement vary dependent on the mandate of their agency. Engagement can be complex and occur at multiple levels.

Central government agencies tend to engage with Inland Revenue frequently at a senior level and with named contacts. They also have an established relationship and regular contact with the Commissioner. Central government agencies' engagement with Inland Revenue is facilitated by strong personal and trusted relationships developed over a long time.

Central government agencies are very positive about their engagement with Inland Revenue

Stakeholders interviewed noted their agency and Inland Revenue shared a strong public sector ethos with responsibility to New Zealand citizens to achieve common outcomes. They described engagement with Inland Revenue as proactive, open and honest, and based on a mutual respect for their different roles. Stakeholders use existing mechanisms to explore and create an understanding of differing perspectives, approaches and opinions.

They are mature. They know what they are doing – certainly at a leadership level... It's that give and take, sharing of ideas and not sharing solutions... It's saying this is where we want to get to, this is what we've thought about, what do you think? Have a mature two-way discussion, an engaging relationship where agencies listen to each other. (Central government agency)

Stakeholders agree Inland Revenue provides accurate information, is responsive to queries, actively listens, offers consistent messages, and delivers on their promises. Timeliness and flexibility in their engagement are areas for ongoing improvement. At times, Inland Revenue is focused on driving through change to meet its goals within agreed timelines without reference to other agencies.

Inland Revenue's engagement is improving and is an exemplar to other agencies

Stakeholders interviewed noted Inland Revenue's engagement continues to improve over time. The leadership of the Commissioner of Inland Revenue and the Executive Leadership Team are seen as leading a culture change in Inland Revenue. This culture change is positively impacting engagement with key stakeholders who are being supported and informed about the changes.

Certainly in the last 12 months, the changes have been accelerating... it's been a lot more open. Coming from the leadership but you can still feel it at the lower levels as well... They are engaging with us and taking us on the journey. (Central government agency)

Central government stakeholders interviewed considered their relationship and engagement with Inland Revenue as better than with other agencies. They described a more mature relationship than with other partners with higher trust, better communication and a willingness to listen.

Probably better than many comparative organisations. There aren't many comparable of the same scale or nature but of that cohort of half a dozen, Inland Revenue would be close to the top. (Central government agencies)

Central government agencies want to be involved, but are not seeking collaboration

Central government agencies' engagement with Inland Revenue tends to be in consultation and involvement. Central government agencies, particularly regulatory agencies, feel it is not appropriate

³³ We interviewed three people from central government agencies. We sent the survey to nine people from central government agencies. Only two completed the survey. We have presented the qualitative findings only due to the low survey numbers. The survey results were consistent with the qualitative findings.

to collaborate with Inland Revenue. They perceive a collaborative role has the potential to undermine their independence if called to review Inland Revenue's activities.

We have a statutory independence... If we've been involved in the design, that may affect our ability to discharge that independent review function. (Central government agency)

One central government stakeholder wants a more collaborative relationship. Barriers to collaboration were time and lack of maturity on both sides. They commented on the need for more multi-government agency collaboration whereby the agencies worked together on shared goals and resolved any conflicting needs.

Central government agencies have a good to reasonable understanding of how Inland Revenue is changing

Stakeholders interviewed are aware of Inland Revenue's transformation programme. The level of understanding varies depending on their involvement in the change process. Those involved have a deep understanding of the transformation and its long-term goals. Stakeholders in regulatory agencies tend to have a high level overview of the changes. Overall, stakeholders appreciate Inland Revenue is trying to be customer-focused through the use of technology.

It's about refreshing Inland Revenue to be more flexible and more supportive of their customer base. They are trying to ensure tax payers who want to pay tax can do so as easily as possible. Then those who don't want to pay they throw their investigative unit at... It's business transformation supported by technology, not just a technology change. (Central government agency)

Stakeholders commented Inland Revenue has done a good job of keeping them informed. These stakeholders receive information through face-to-face briefings, newsletters and Inland Revenue's website.

Central government agencies interviewed had several suggestions for Inland Revenue to consider:

- Providing more information about the transformation progress for those less involved, and being more proactive in sharing the information (e.g., progress against service delivery goals, focus for the next six months).
- Providing more information on the implications of Inland Revenue's transformation for other government agencies, and Inland Revenue's role in the public sector.
- Sharing with the wider public sector the learnings from their transformation journey and their successes in collecting revenue.
- Ensuring privacy protections of citizens are carefully considered when designing the infrastructure, and working with appropriate specialists to review these protections.
- Ensuring responsiveness to citizens, especially vulnerable people and those that are not technology savvy.

I'm very positive about what they've done and where they're going. Obviously I want more, but compared to a lot of agencies they are light years ahead. There are more things for them to think about, but you don't want those things to distract them from their better service delivery. They've got to make those judgements. (Central government agency)

Business representative groups³⁴

Business representative groups mainly engage with Inland Revenue at a strategic level

Business representative groups include a diverse range of member-based organisations. Business representative groups share Inland Revenue's goal of developing an effective and fair tax system. They engage with Inland Revenue to:

- review and comment on proposed changes to tax policy and legalisation from a public good perspective, and for some from an industry sector perspective
- understand proposed changes to inform their business or industry sector.

These groups have a long-term and mature relationship with Inland Revenue. They engage weekly or two-weekly with Inland Revenue. These stakeholders have built trusted relationships with senior staff at Inland Revenue, including the Commissioner. Some stakeholders are members of Inland Revenue's advisory and reference groups.

Stakeholders from business representative groups have complex relationships with Inland Revenue. Some are employed by the business representative group. Others work in a voluntary role, and may also engage with Inland Revenue through their paid employment. These stakeholders tend to have high levels of expertise on tax systems nationally and internationally.

A few business representative groups have an operational relationship with Inland Revenue focused on their organisations' tax compliance requirements. They may put in submissions on behalf of their members. However, engaging with Inland Revenue and informing members of changes is not a key priority. These stakeholders are satisfied with their more distant relationship and infrequent engagement with Inland Revenue.

Business representative groups are positive about their strategic engagement with Inland Revenue

All stakeholders are satisfied with their engagement with Inland Revenue. Stakeholders agree Inland Revenue excels at providing accurate and timely information, being consistent and responsive and delivering on promises. Personal relationships, involvement in advisory groups, and access to the Commissioner drives their satisfaction.

These stakeholders know who to contact if they have a query and are confident they can get a response. They feel respected and valued in the relationship. They appreciate that Inland Revenue listens to their feedback, and are aware at times they will agree to disagree.

We don't always agree with Inland Revenue's view of the world and naturally that means we might take an advocacy role. So the relationship in those situations is naturally a bit more strained. (Business representative group)

Inland Revenue's engagement is getting better

Stakeholders with a long-term relationship commented Inland Revenue's engagement has strengthened over the years. Inland Revenue's engagement is more systematic. Inland Revenue is sharing information in a more timely way to enable engagement. However, the amount of change to the tax system over the last two years, which the transformation process contributes to, has created pressure (see below).

We appreciate the effort the Commissioner goes through to improve stakeholder engagement... The level of engagement with New Zealand's Inland Revenue is far better than the engagement that overseas Inland Revenue people have, so that's a positive. (Business representative group)

³⁴ We interviewed three people from business representative groups. One interview from the tax agent group was included here. They are an industry representative group and their feedback mirrored the other business representative groups. Nine people completed or partially completed the survey. These results are indicative of this sub-group.

Business representative groups support the policy group's intent to engage earlier in the policy cycle

Stakeholders commend Inland Revenue's policy group's initial work for exploring how they can be more proactive in their early engagement around policy and legislative changes. Stakeholders are interested to see how this intent plays out, given the current pressures from the transformation process and the changes sought by Government.

Stakeholders are positive about how Inland Revenue is changing and their ability to deliver

Business representative group stakeholders agreed Inland Revenue is changing for the better. Most stakeholders agree with the direction of the change and agree that the change will make the tax system better. Almost all stakeholders are confident in Inland Revenue's ability to deliver the change.

Business representative groups have a good understanding of Inland Revenue's transformation

These stakeholders perceive Inland Revenue as proactive in informing them about its priorities, and ensuring they understand the goal of the change.

Stakeholders have been actively involved in the transformation of Inland Revenue

Stakeholders, through their participation in advisory and reference groups, have been closely involved in the transformation process. Collaboration is important to this group, given their level of expertise and links to their members. Stakeholders appreciate opportunities to collaborate through advisory groups and other mechanisms. However, resource constraints on both sides can impede the collaboration.

Stakeholders highlighted a number of areas to strengthen engagement with Inland Revenue:

- **Managing the balance of keeping stakeholders informed but not overloaded.** While these stakeholders are keen to know about all the changes occurring at Inland Revenue, some are at an information overload stage. These stakeholders are seeking ways to prioritise the information/changes they engage with. In contrast, others want to receive all information on the changes to avoid missing out.
- **Providing information on how Inland Revenue's transformation will benefit their members.**
- **Improving engagement timelines and internal coordination of engagement requests.** Stakeholders, particularly those in voluntary roles, have limited capacity to engage and respond, if timelines are short. One stakeholder noted a lack of internal coordination can result in receiving requests from multiple divisions within Inland Revenue at the same time.
- **Adhering with the Generic Tax Policy Process (GTPP).** These stakeholders noted Inland Revenue leads the world in its engagement on tax policy and legislation through the use of GTPP. Stakeholders perceive time pressures on developing policy and legislation has meant a lack of adherence to the GTPP. Some stakeholders are concerned about the quality of policy/legislation, given the haste.
- **Addressing concerns relating to the privacy of information.** Some stakeholders are apprehensive about the levels of information sharing occurring. They appreciate the wider context is changing with information use, but question whether the balance is right.
- **Ensuring responsiveness through adequate internal capacity.** Stakeholders perceive Inland Revenue's restructure in the last 12 months has affected responsiveness. In part, this is due to a loss of subject specialists in some areas. Stakeholders are currently holding judgement to see whether this is an ongoing issue or a one-off due to the restructure process.

The tsunami of legislation... It's very difficult for professional bodies to cope with. We've pretty much been overwhelmed by the volume of legislation we've had to look at. We're concerned at the haste with which it's been put together and sometimes the quality of the legislation that results. (Business representative group)

Government agencies³⁵

Government agencies engage with Inland Revenue at a variety of levels

Inland Revenue engages with government agencies to share information, consult on tax policy and legislation, facilitate compliance, co-design services and infrastructure, and meet domestic and international responsibilities. Government agencies engage at both a strategic and operational level across a diverse range of initiatives and issues.

Most government agencies engage frequently with Inland Revenue. Eight in ten felt the engagement frequency and amount was about right in the last six months. These stakeholders have named contacts at Inland Revenue who they can access when needed. Three quarters engaged with their relationship manager in the last six months, and half with Inland Revenue's executive management team.

Government agencies consider Inland Revenue's engagement very positively: an exemplar of inter-agency engagement

All government agencies surveyed are positive about Inland Revenue's engagement over the last six months. Government agencies rate the efficiency of Inland Revenue's engagement very highly. Around eight in ten agreed Inland Revenue offers timely engagement, provides accurate information, is responsive to queries, actively listens and delivers on promises. Similar to other stakeholders, two thirds agreed Inland Revenue is flexible.

Seven in ten also rated Inland Revenue highly for creating opportunities for collaboration and creating innovative solutions together. Government agencies rated Inland Revenue's engagement higher than that of other stakeholders for these attributes.

Government agency stakeholders interviewed said they had frequent and proactive engagement with Inland Revenue. They described a positive, collaborative working relationship at operational and strategic levels through advisory or reference groups. Stakeholders noted Inland Revenue's engagement was mature and an exemplar of collaborative cross-agency engagement. Half of government agency stakeholders supported this position, agreeing Inland Revenue's engagement is better than their partners' engagement.

They're hugely engaged in the programme. They see the value of collaborating across agencies. They put into the programme with their people as well as their funding. They are open to trying new things and sharing their experiences and Intellectual Property... Mature in understanding what we are trying to achieve, why collaboration is critical, and they understand customer-focused service design... They are the model for how I would like other agencies to be. (Government agency)

Government agencies perceive engagement with Inland Revenue as stable or improving

Half of the government agency stakeholders surveyed said their engagement with Inland Revenue stayed the same and a quarter said it improved in the last six months. One government agency interviewed noted improvements in engagement over the last 12 months. In part, this shift reflected the work by the agency to monitor engagement and resolve issues arising to achieve their effective working relationship.

We invested in some workshops with us and Inland Revenue about a year ago to get people to meet face-to-face and bring challenges to the table and talk about things. That really improved the relationship. (Government agency)

³⁵ We interviewed two people from government agencies, and 26 people completed or partially completed the survey, a response rate of 52%. These results are indicative.

Government agencies support how Inland Revenue is changing and their ability to deliver

Eight in ten government agencies agree Inland Revenue is changing for the better, and will make the tax system better. Compared to other stakeholders, they appear more confident in Inland Revenue's direction; three quarters agree compared to half of stakeholders as a whole. Six in ten agreed Inland Revenue creates confidence it will successfully deliver the change.

Government agencies have mixed views on engagement on and understanding of Inland Revenue's transformation

Half agree Inland Revenue is engaging with stakeholders about their transformation, and the implications for their organisation. Around six in ten agree Inland Revenue is proactive in ensuring an understanding of its priorities and transformation goals.

Six in ten also agree Inland Revenue understands how stakeholders' organisations can contribute to the change. Although only half agree Inland Revenue is ensuring seamless services for shared customers.

Government agencies want information on the implications of the transformation for their agency

Feedback from government agencies interviewed indicated a high level of understanding of Inland Revenue's transformation. For some the information received was adequate for their needs. However, as transformation progresses, some want a greater understanding of how Inland Revenue's system will interface with their system. They also want to explore potential shared opportunities.

They have started progressing to the new system. I'd like more information on the system and what that means for [organisation] and what we need to do to move forward with the system. It is not just the SAP accounting system but other systems that interface. But it is early days, it's only just started being communicated over the last two weeks. So we should get more information. (Government agency)

Understand that opportunities will arise as the transformation goes on and be willing to at least assess these or collaborate to determine if they can be leveraged as part of the transformation programme. Approach currently can be quite rigid, with an automatic no, without the possibility of consideration. There are possibly some missed opportunities along the way. (Government agency)

Government agencies' open ended survey comments highlighted suggestions for Inland Revenue to consider:

- Increasing the sharing of tax and intelligence information across government agencies. Care is needed with this suggestion as other stakeholders are concerned about maintaining the privacy of tax information (refer business reference groups and central government agencies).
- Increasing efficiencies in working collaboratively, including:
 - greater understanding of the limitations and priorities of other government agencies
 - clarity on co-design models being used, and being open to alternative approaches
 - ensuring customer benefits are considered as important benefits to Inland Revenue.

Financial sector stakeholders ³⁶

Financial sector stakeholders have a multi-dimensional relationship with Inland Revenue

Inland Revenue engages with financial sector stakeholders at a variety of operational and strategic levels. Financial sector stakeholders engage with Inland Revenue to:

- manage their organisation's tax compliance
- act on behalf of their clients with tax issues
- offer tax advice and guidance to Inland Revenue on their transformation and other tax matters through reference and advisory groups
- input into tax policy and legislative changes.

Financial sector stakeholders tend to be experts or have specialist knowledge of tax. These stakeholders have a long-term relationship with Inland Revenue and frequently engage. Eight in ten said their engagement in the last six months was about right.

Stakeholders have built trusted relationships with senior staff at Inland Revenue, including the Commissioner. At an operational level, their organisations work with relationship managers or other key contacts. Around half had interacted with Inland Revenue's Executive Management Team, and nine in ten with their relationship managers.

Financial sector stakeholders' engagement with Inland Revenue is positive

Nine in ten financial sector stakeholders rate Inland Revenue's engagement positively. Seven in ten agree Inland Revenue provides accurate information, actively listens and is flexible. Two thirds agree Inland Revenue provides consistent messages, delivers on promises, and is responsive to queries.

These stakeholders described a positive, mature, and principle-based relationship which is mutually valuable and professional. For these stakeholders Inland Revenue is accessible at many levels. One stakeholder described Inland Revenue's culture as genuinely seeking input and dialogue, and actively listening. Stakeholders are also putting in time and energy to develop an effective relationship with Inland Revenue.

Stakeholders commented the Commissioner's leadership contributes to Inland Revenue being more accessible and open to engagement.

Very positive in each dimension. We get good access to [the Commissioner] and her senior team, and really good engagement in whatever capacity we are involved in... It is constructive, professional, accessible engagement. Better than most government agencies. (Financial Sector)

Inland Revenue's engagement is stable over time and better than other partners

Six in ten financial sector stakeholders think engagement stayed the same, and a third said it improved in the last six months. Eight in ten stakeholders agreed their engagement with Inland Revenue was the same or better than with their other partners.

Stakeholders interviewed also noted Inland Revenue's approach to engagement was strengthening. They identified Inland Revenue's shift from an adversarial and regulatory approach to being more collaborative and engaging. They noted this change has occurred over the past few years.

Certain parts of Inland Revenue are still seeking to have the traditional adversarial attitude... The change I've seen is that there is more of a willingness to sit down and talk about things, rather than coming from a place of distrust. (Financial Sector)

³⁶ We interviewed three people from the financial sector, and 19 people completed the survey, a response rate of 58%. These results are indicative.

Stakeholders interviewed noted the impact of Inland Revenue's restructure over the last year on their engagement. They commented that the restructure had some impact on staff morale and their capacity to respond to queries promptly.

I worry their bench strength is not very deep. Inland Revenue feels very skinny at the moment, so things can take a long time because there are so few resources to deal with certain issues... Feels like key knowledge is trapped with just a few people. (Financial Sector)

Financial sector stakeholders support how Inland Revenue is changing and its ability to deliver

Eight in ten financial sector stakeholders agree Inland Revenue is changing for the better, and will make the tax system better. Two thirds agree Inland Revenue creates confidence in its direction. Half are confident Inland Revenue can deliver the changes.

Financial sector stakeholders understand the goal and priorities of the transformation

Seven in ten financial sector stakeholders agree Inland Revenue engages with those interested and affected by the transformation. They also agree Inland Revenue engages to create understanding of what it is trying to achieve, and its priorities.

In terms of transformation, we've had good but limited engagement and that has been on an as-needed basis from Inland Revenue's perspective – when they have wanted information. As time progresses engagement seems to be ramping up. (Financial sector)

In qualitative interviews, financial sector stakeholders' understanding of the transformation ranges from a high level overview to an in-depth understanding. Those with a high level overview perceive Inland Revenue is using new technology to be more customer-centric, and to speed up processes. These stakeholders feel they do not have enough detailed information about the transformation and what it means for their organisations. Others, particularly those on advisory groups have a deep understanding and involvement in the transformation.

Financial sector stakeholders have mixed opinions on Inland Revenue's collaboration

Six in ten stakeholders agree Inland Revenue creates opportunities for collaboration. A third agree Inland Revenue collaborates to create innovative solutions. In qualitative interviews, stakeholders consider collaboration to be a balance and not appropriate in all contexts (e.g., during disputes).

Only a third of stakeholders agree Inland Revenue is aware of the implications of changes to their business, understands how they can contribute to Inland Revenue's change, or ensures a seamless experience for shared customers. Stakeholders interviewed questioned Inland Revenue's understanding of how transformation affects their businesses and integrates with their technology.

For example, with GATCA we are required to be collecting information. Even today we are still not certain how we are supposed to be reporting certain types of transactions. I set up systems to interface with Inland Revenue in the hope we've made the right pick. (Financial sector).

For some, the change process has felt rushed and it is unclear what is required from their organisations to meet the change.

The following are suggestions for Inland Revenue to consider from the financial sector:

- Continue strengthening engagement on policy by working with advisory groups and considering whether these groups are too conformist, engaging with large enterprises, and allowing more time to consider major change initiatives (particularly for large enterprises).
- Provide more information on the transformation including:
 - regular updates on progress to date, upcoming initiatives, and an overview of the long-term goal and vision
 - publish 'hero' stories describing the benefits for customers/organisations from the changes.

Vendors and suppliers³⁷

Vendors and suppliers mostly engage with Inland Revenue at an operational level

Vendors and suppliers are a diverse group of organisations offering a range of services. Most engage weekly or more often with Inland Revenue to deliver services. Some vendors and suppliers are directly or indirectly involved in Inland Revenue's transformation. These stakeholders consider their engagement on transformation as a business-as-usual relationship with Inland Revenue. Heritage vendors and suppliers remain engaged.

Nine in ten vendors and suppliers reported the level of engagement from Inland Revenue in the last six months was about right. Eight in ten engaged with their relationship manager at least once in the last six months, and six in ten with the Executive Management Team.

Vendors and suppliers are mainly positive about their engagement with Inland Revenue

All vendors and suppliers rated Inland Revenue's engagement positively. At an operational level, vendors and suppliers interviewed are mainly positive about their engagement. They describe a mature relationship characterised by mutual respect, open communication, a learning environment, high levels of trust and teamwork.

It's excellent. It's robust which is good. It can survive its ups and downs. They listen and understand our position... you feel like they're on your side. (Vendor and supplier)

Seven in ten vendors and suppliers agree Inland Revenue provides accurate information, offers timely engagement, is responsive to queries, gives consistent messages and is flexible. Two thirds agreed or strongly agreed Inland Revenue actively listens and delivers on promises. Vendors and suppliers agreed more strongly than the total stakeholder group across these measures.

As in 2016, heritage vendors and suppliers are mainly positive about their day-to-day engagement with Inland Revenue. However, they are frustrated they can no longer engage at a strategic level to inform or collaborate on the transformation process.

We are well-regarded in service provision. It seems we are really at arm's length, like it's a one way dialogue. (Vendor and supplier)

Inland Revenue's engagement with vendors and suppliers is stable over time

Seven in ten vendors and suppliers said their engagement was the same over the last six months and two in ten said it had improved.

Vendors and suppliers interviewed commented on the number of staff changes at Inland Revenue over the last six months. Inland Revenue's staff turnover did not impact their engagement. However, vendors and suppliers perceived they had an important role retaining institutional knowledge through the transition.

The high turnover isn't a challenge for us... They rely on the fact we haven't changed so there is institutional reliance... Our consistency probably makes it less of a challenge. (Vendor and supplier)

Inland Revenue engagement is better than that of vendors and suppliers' other partners

Two thirds of vendors and suppliers rate Inland Revenue's engagement better than that of their other partners. This rating is higher than with other stakeholder groups.

Vendors and suppliers interviewed, who are closely involved in the transformation, thought their relationship with Inland Revenue was better than with their other key partners. They described Inland Revenue's engagement as more mature than that of other partners.

³⁷ We interviewed four people from vendor and supplier organisations. Fourteen people completed or partially completed the survey, a response rate of 78%. These results are indicative.

I wish every other government department was as easy, open minded and reciprocal as they are. (Vendor and supplier)

Vendors and suppliers are very positive about how Inland Revenue is changing and its ability to deliver

Eight in ten agree Inland Revenue is changing for the better, and will make the tax system better. Seven in ten are confident in Inland Revenue's direction and ability to successfully deliver change.

Vendors and suppliers understand Inland Revenue's transformation goals and priorities

Seven in ten stakeholders agree Inland Revenue is seeking to engage them in the transformation processes. These stakeholders also agree Inland Revenue informs them of its transformation goals and priorities. These stakeholders tend to be involved in transformation work, or cover both transformation and heritage services. In comparison, heritage vendors and suppliers feel blocked out of the transformation programme. They continue to seek ways to be more involved in the change process.

We would like to position ourselves as part of the future. But we are the incumbent for the heritage service. There is a feeling we being kept in that category. It's an important step for transformation because we keep the lights on and integrate with the new system, but we aren't linked to the new world. (Vendor and supplier)

Most vendors and suppliers are collaborating with Inland Revenue

Seven in ten vendors and suppliers agree Inland Revenue creates opportunities for collaboration; higher than other stakeholders. They also agree Inland Revenue collaborates to create innovative solutions.

With BT, it has always been very good, mature, good robust discussions about what both parties need to be successful. (Vendor and supplier)

In qualitative feedback, vendors and suppliers had differing experiences of collaboration. Stakeholders closely involved in the transformation described themselves as part of Inland Revenue's team. Examples of collaboration include shared work planning, co-designed projects, openly discussing progress, and adapting and learning from each other. Stakeholders said this level of collaboration was necessary to achieve the desired outcomes from Inland Revenue's transformation.

The way they managed the whole co-design is great... They come and say they want our help and want to work together to find a solution. (Vendor and supplier)

Other vendors and suppliers described their engagement with Inland Revenue as consultative. This is appropriate for these stakeholders as their role in transformation is moving to business-as-usual. Heritage vendors and suppliers describe their relationship with Inland Revenue as one-way, with Inland Revenue informing and at times consulting them.

We could add more value if we were allowed into some discussion. (Vendor and supplier)

Vendors and suppliers agree Inland Revenue is business and customer-focused

Seven in ten vendors and suppliers agreed Inland Revenue ensures businesses/customers know the implications of the change, understands how their organisations can contribute to the change, and ensures a seamless service for shared customers.

Reflecting their high level of satisfaction, vendors and suppliers put forward two suggestions to strengthen their engagement with Inland Revenue:

- Improving access to decision-makers who are responsible for changing agreed work plans.
- Keeping vendors and suppliers informed and involved early, when work plans change.

Tax agents/intermediaries³⁸

Tax agents engage with Inland Revenue at both operational and strategic levels

Tax agents/intermediaries (tax agents) include tax companies and member-based organisations.³⁹ In general, tax agents engage with Inland Revenue at an operational level. Some engage at a strategic level for their members. They engage with Inland Revenue to:

- address day-to-day operational matters that affect their ability to efficiently run their businesses
- understand how Inland Revenue and tax policy is changing and the operational implications for their business or their members
- review and comment on proposed changes to tax policy and legalisation from an industry sector perspective.

Tax agents have a long-standing relationship with Inland Revenue. They have relatively frequent contact with Inland Revenue both at a senior level (71% had at least one contact in the last six months), and operationally through their relationship manager (86% had at least one contact in the last six months). Over half had attended an Inland Revenue seminar or workshop in the last six months.

In the 2015 and 2016 research, tax agents had divided perceptions about Inland Revenue's engagement. Some were concerned about a lack of engagement and information, given the changes proposed were likely to disrupt their industry. Others were more positive. They perceived Inland Revenue's engagement about transformation was strengthening. This variation in perception continues in 2018, and may reflect the variations in experiences across different Inland Revenue functions.

Tax agents are mainly positive about Inland Revenue's operational engagement

In 2018, tax agents surveyed are mainly positive about Inland Revenue's engagement. Nearly nine in ten think Inland Revenue's engagement is satisfactory, good or excellent, and the level of engagement is about right. Three quarters also think engagement is getting better or staying the same. Tax agents interviewed were positive about Inland Revenue's day-to-day and operational engagement. This reflected their professional and constructive working relationship, and the ability to get operational information or help.

*The day-to-day operational stuff is handled incredibly professionally – no complaints there.
(Tax agent)*

As in previous years, some tax agents are critical of Inland Revenue, rating their engagement as unacceptable, too little, and getting worse compared with last year.

Tax agents are seeking more timely engagement and delivery on promises

Tax agents surveyed rated the efficiency of Inland Revenue's engagement less positively than other stakeholder groups. Around half of tax agents agree Inland Revenue listens and its engagement is accurate, responsive, and consistent. Only one in ten tax agents agreed Inland Revenue's engagement was timely and it delivered on promises.

Tax agents are less supportive about how Inland Revenue is changing and its ability to deliver

Half of tax agents surveyed agree Inland Revenue is changing for the better, compared to three quarters for all stakeholders. However, two thirds agree Inland Revenue will make the tax system better for New Zealand.

³⁸ We interviewed two agents/intermediaries, and seven people completed or partially completed the survey, a response rate of 70%. These results are indicative.

³⁹ We included one of the member organisations in the business representative group as they had a more strategic and public interest view in their relationship with Inland Revenue.

Only a third are confident Inland Revenue will successfully deliver the change. Two thirds are also neutral on Inland Revenue creating seamless services for shared customers. This lack of confidence may reflect a lack of detailed information about the changes and how the changes will impact tax agents' businesses.

Stakeholders are feeling a lack of information... especially as we come close to changes being implemented. We know big changes are coming in 12 to 24 months, but we don't know exactly what that looks like when the rubber hits the road. (Tax agent)

Tax agents have mixed views on Inland Revenue's engagement about transformation

In contrast to other stakeholders, most tax agents/intermediaries do not agree Inland Revenue is engaging with them about the transformation. Only a quarter agreed Inland Revenue is inclusive in its engagement about the transformation.

However, just over half agreed Inland Revenue is proactive in creating understanding of its transformation priorities and goals. Two thirds also agree Inland Revenue ensures awareness of the implications of the changes for businesses, and understands how stakeholders can contribute to the change.

Tax agents have mixed opinions on Inland Revenue's collaboration

Just over half agree Inland Revenue creates opportunities for collaboration, while a third agree Inland Revenue collaborates to create innovative solutions.

In qualitative interviews, tax agents interviewed described their engagement with Inland Revenue as ranging from informing to collaborating. Collaboration occurred through working groups and with their relationships managers. Stakeholders thought Inland Revenue consulted in rulings and policy areas. Tax agents wanted to see more collaboration, although a lack of resources on both sides may impede collaboration.

Tax agents want more involvement and information about transformation

Feedback from tax agents indicates key improvement areas are enabling involvement and providing more detailed information about the transformation process. In particular, tax agents want to understand the implications of the changes for their business. Other areas of improvement are more timely information and delivering on promises.

Large enterprises⁴⁰

Large enterprises are a diverse group with complex national and international financial and tax needs

In 2018, Inland Revenue included large enterprises in this research. Large enterprises are companies with an annual turnover of more than \$100 million.

Large enterprises engage with Inland Revenue both operationally and strategically, and tend to have an account or relationship managers. They engage with Inland Revenue frequently, and can have several touch points within their organisation.

Some large enterprises are members of Inland Revenue's reference or advisory groups (e.g., the corporate tax group). However, others have little engagement with Inland Revenue's Executive Management Team.

The feedback below is based on the large enterprises included in the research. Given the mixed views and concerns raised, further research is needed to fully understand their perception of Inland Revenue's transformation and engagement.

Large enterprises have reasonable to positive experiences of their day-to day engagement with Inland Revenue

At an operational level, stakeholders are positive about the engagement with Inland Revenue's relationship managers. They described having an open relationship with their relationship manager, and were able to have constructive discussions about any concerns.

Open relationship. We're very comfortable raising our concerns with them and bringing issues we may have... No concerns with the relationship. (Large enterprise)

Large enterprises noted engagement with relationship managers declined over the last six months

Large enterprise stakeholders thought engagement worsened over the previous six months. Large enterprises interviewed noted their relationship managers were overloaded due to Inland Revenue's restructuring process. As a result, they were less accessible. These stakeholders adapted how they engaged to avoid further overburdening their relationship manager, for example only contacting Inland Revenue once a week instead of several times a week. However, some were frustrated by delays processing their accounts, particularly when penalties were added.

We are fairly well aware of the turmoil Inland Revenue have gone through over the last 12 months. That put pressure on the strength of their relationship, people moved around... we managed to negotiate through it. (Large enterprise)

Over a longer term, one large enterprise stakeholder noted a positive cultural shift at Inland Revenue from a combative to collaborative and more user-friendly organisation. This stakeholder recognised that culture change takes time and was positive about the changes to date.

Large enterprises are aware and have a reasonable understanding of Inland Revenue's transformation

Large enterprises are aware of Inland Revenue's transformation. In qualitative interviews, stakeholders reported a moderate understanding of how Inland Revenue is changing. Some primarily consider the transformation as a technology change. Stakeholders interviewed had learned about Inland Revenue's transformation through sector groups such as the corporate tax payer group. A few had attended seminars or workshops, which were useful for learning about the changes at Inland Revenue.

⁴⁰ We interviewed three people from large enterprises. We sent the survey to seven people, three completed it. The survey results were polarised. We have therefore presented the qualitative results only.

A few stakeholders noted Inland Revenue visited their offices to discuss upcoming changes. Some welcomed the visit as it enabled them to prepare for changes. Others felt it was more of a PR exercise. These stakeholders had expected more information tailored to how the changes would directly impact them so they could prepare for it.

We took it more as a feel good thing rather than wanting to take on board our feedback about the changes [increasing the workload for little direct benefit]. It was more they just came and talked. The CFO made strong comments but we didn't expect to see any changes and there weren't. (Large enterprise)

Large enterprises perceive the changes are not addressing their complexity and are creating more work

Stakeholders interviewed questioned whether the transformation is adequately considering the needs of large enterprises. Large enterprise stakeholders were critical that coming changes would create significantly more work for them (e.g., filing more information, challenges managing complex payrolls). They also identified technological difficulties of the new system not accommodating multiple companies under one tax manager.

I think it is more focused at the individual as opposed to the company. It might be good for the small tax payer at home... but it doesn't work in a corporate... no benefits for a corporate. (Large enterprise)

Large enterprises do not think Inland Revenue is collaborating with them

Large enterprise stakeholders interviewed think Inland Revenue informs and consults them about changes. They would prefer to be more involved and collaborate. Barriers to collaboration for large enterprise stakeholders are lack of trust, a need to build mutual understanding of needs, more open communication and dialogue, and a cultural shift. Stakeholders spoke of 'one way traffic' from Inland Revenue.

Still inform and consult. It would be nice to have them doing that [involve/collaborate], but account managers come in and talk to us and formulate risk assessments, it's one way traffic. It's them pulling information. I haven't seen that change. I'm encouraged that they want to move to that space, but it's a work in progress. (Large enterprise)

Several suggestions were put forward by large enterprises to strengthen engagement with Inland Revenue:

- Changing the approach to materiality in the context of large enterprise accounts.
- Keeping large enterprises more informed about how changes to Inland Revenue will affect them.
- Addressing concerns that changes are going to significantly increase their workload and are not fit-for-purpose for their complex financial set up.

Given the issues noted by the small number of large enterprises interviewed, we recommend further research to fully understand their needs and to enhance engagement.

Local government⁴¹

Local government stakeholders were initially included in the research to track changes in engagement

In 2015, when the research began, Inland Revenue had limited engagement with local government. Inland Revenue expected engagement with local government would increase over the following years. On this basis, local government stakeholders were included in the research. Feedback from Inland Revenue indicates engagement with the sector has not changed over the last three years.

Local government stakeholders have the lowest engagement level compared to other stakeholder groups

Just over half of local government stakeholders reported Inland Revenue's engagement in the last six months was about right. A third had no engagement or too little engagement, more than any other stakeholder group.

Local government had little engagement with Inland Revenue's executive management team (nine in ten had never engaged) and low engagement with relationship managers (six in ten never engaged). Three quarters had never attended a seminar/workshop.

Inland Revenue's engagement with local government is mainly unchanged

Six in ten local government stakeholders said their engagement with Inland Revenue stayed the same over the last six months. For a quarter engagement had improved.

Local government stakeholders have a lower level of satisfaction with Inland Revenue's engagement

A third of local government stakeholders rate Inland Revenue's engagement as excellent or very good, compared to half of all stakeholders. Half consider Inland Revenue's engagement satisfactory. Compared to other stakeholders, local government consistently rated the responsiveness and efficiency of Inland Revenue's engagement lower. Of particular note are that only a third agreed Inland Revenue listens, and two thirds don't know.

In part, these rating reflects that local government stakeholders were unable to make the assessments with four in ten rating don't know or neither/nor.

Local government stakeholders are positive about how Inland Revenue is changing but less sure about the ability to deliver

Around two thirds of local government stakeholders agree Inland Revenue is changing for the better, and will make the tax system better. However, only four in ten are confident in the direction, and in Inland Revenue's ability to deliver the change.

Local government stakeholders do not have a deep understanding of or engagement in Inland Revenue's transformation

Around half of local government stakeholders disagree or don't know whether Inland Revenue has engaged about their transformation. Half also don't know or disagree Inland Revenue has sought to increase stakeholders' understanding of its intended achievements and priorities.

Around half of local government stakeholders disagree or don't know whether Inland Revenue creates opportunities for collaboration. Six in ten do not think Inland Revenue understands how local government can contribute to Inland Revenue's transformation.

⁴¹ Thirty one people completed or partially completed the survey, a response rate of 48%. These results are indicative for the sector. We did not complete in-depth interviews with local government representatives.

Local government's open-ended survey comments highlight areas for Inland Revenue's consideration:

- Increasing the level and frequency of stakeholder consultation, in particular proactively informing them of changes that will affect local government.
- Considering the practicality of proposed changes on different sectors.
- Providing training and information sessions to help local government staff understand their relationship with Inland Revenue and the changes to the tax system.
- Being responsive to operational queries and consistently following through on communication, in particular easier access to customer service and technical expertise.

Continue to update us on changes. Consider impacts on different sectors. Keep us in the loop about up-and-coming tax changes and what is in the roadmap. (Local government)

Great level of stakeholder consultation. Consider practicality of implementing proposed tax changes for businesses when engaging stakeholders. (Local government)

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Appendices

Appendix 1: Research tools

Online stakeholder survey

Online survey tool



IR SE online
survey.pdf

Qualitative research

Information sheet



Information
sheet.pdf

Consent form



Consent form.pdf

Discussion guide



IR stakeholder
engagement_discussi

Appendix 2: A comparison survey of the survey results as a total sample for 2015, 2016 and 2018



Weighted data for IR stakeholder engagem

Appendix 3: The 2018 survey results by total sample and by sector



2018 weighted data for IR stakeholder en