

STATEMENT OF INTENT

2014–18



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ISSN 1176-6654 (Print)

ISSN 2230-4053 (Online)

ird.govt.nz

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MINISTER'S FOREWORD AND STATEMENT OF RESPONSIBILITY

New Zealand's tax system is much admired internationally as a model of efficiency and fairness. That means that the tax system does what it is meant to do and does so relatively efficiently — and that is to collect and dispense funds as appropriate. I am very happy with the department's performance in that regard.

A recent survey of Asia-Pacific countries ranked New Zealand's tax system very highly because our tax policies are seen as clear and relatively simple. Our broad-base, low-rate system is coherent and relatively free of distortions. This is good for business and growth. It gives the clarity and certainty that business requires.

I do not envisage major changes to the basic tax frameworks as they are fit for purpose. It is however important to keep maintaining the tax system, ensuring that our tax laws continue to be effective. This requires a constant process of tax changes supporting our broad-base, low-rate system. Tax policy work will therefore focus on improvements within the current framework aimed at supporting the Government's intention to ensure fairness in the tax system and its objectives for the economy.

But there are challenges ahead.

Looking ahead, we can see that a more connected world will have increasing consequences for tax and tax policy. These include new products and business models and increased international trade, consumer choice and competition. Tax jurisdictions around the world are grappling with questions about fairness with regard to taxing large multinational corporates working across borders. As more and more New Zealanders shop online, there are questions about the tax implications of the digital economy.

And there are implications for Inland Revenue itself.

A tax system is more than tax policy. A good tax system comprises good tax policy supported by good tax administration. New Zealanders now expect to do almost anything online, including managing their tax affairs.

While much of Inland Revenue's efforts in this area until now have necessarily been focussed on planning, the department has now reached the stage where it can focus on the high level design of proposals. This is an important and exciting turning

point for the department as it turns its mind to designing a tax administration fit for the 21st century.

I am satisfied the information on strategic intentions prepared by Inland Revenue is consistent with the policies and performance of the Government.



Hon Todd McClay
Minister of Revenue

CHIEF EXECUTIVE'S STATEMENT OF RESPONSIBILITY

In signing this statement, I acknowledge that I am responsible for the information contained in the Statement of Intent for Inland Revenue. This information has been prepared in accordance with the Public Finance Act 1989.

A handwritten signature in blue ink that reads "Naomi Ferguson". The signature is written in a cursive, flowing style.

Naomi Ferguson
Chief Executive and Commissioner of Inland Revenue

COMMISSIONER'S INTRODUCTION

COMMISSIONER'S INTRODUCTION

An exciting opportunity stands before Inland Revenue as we begin to implement business changes on an unprecedented scale.

Many New Zealanders have probably heard of our intention to replace our ageing computer systems, but few are likely to be aware of the vast sweep of the reforms accompanying the introduction of this new technology. It will be nothing less than a once-in-a-generation overhaul of our tax system.

We are aiming, to make it easier for people to deal with us, to offer new ways to reach us. We aim to get away from paper, to get more people managing their own tax affairs, preferably online or using mobile technology or through third-party service providers.

The goal is not just to provide a better and more convenient experience for our customers, but also create systems that lower customers' compliance costs and give them more certainty that their tax information is correct and protected.

Over the past few years, we have been working behind the scenes on this transformation. We have been reviewing our policies, looking at legislative barriers to the impending changes, designing reorganisation processes, working out what specialist skills and capabilities our staff will need to run our new tax system, and identifying private sector partners to help us on the road to being a 21st-century tax administration.

We are now ready to move to the design phase. We are about to choose a design partner with international experience in tax system change.

During the next four years, we will streamline how we collect income and business tax information. Specifically, there will be a simpler PAYE system, which can be built into software businesses use to manage tax requirements. The system will also correct data errors automatically. There will also be improvements to our online service, myIR, as well as the introduction of more mobile apps to simplify access and speed up response times. This will happen in stage one.

In the next three stages, there will be equally exciting changes. Areas we will look at include a rationalisation of withholding taxes and better alignment of tax and social policy payments. The details of later changes have deliberately been left open while we hold discussions with a range of businesses, individuals and interested parties. That way, we can be sure our new way of working will fit customers' needs for many years to come.

This focus on transforming for tomorrow must not, of course, be at the expense of continuing to deliver today—and deliver in ways that are more efficient and more linked up with services other government agencies provide. We intend, for example, to enhance our website, expand services through third parties, improve the way we use information and intelligence, tackle fraud and the hidden economy in more targeted ways, and improve how we manage debt. We will also give priority to ensuring we implement

administrative changes to child support by the new deadline of April 2015.

We are actively involved in the Better Public Services effort by government agencies to cooperate more closely, particularly where we have customers in common. Examples of this include parents being able to apply for IRD numbers for their child when they register their births, information-sharing agreements, sharing office space with other agencies, aligning ICT programmes and digital services, and using cross-agency contracts for services and systems.

We will continue to look for such opportunities to make the taxpayer's dollar go further. As well, we are lending support to another of the Government's Better Public Services goals—rebuilding Canterbury. The huge amount of economic activity there means we are putting extra effort into supporting tax compliance.

Our tax policy work in the next four years will focus on encouraging a strong and competitive economy, and protecting the tax base. Profit shifting by some multinational companies poses a potential risk to our tax base, and we will continue to work with the Organisation for Economic Co-operation and Development (OECD) on this global problem.

We have a challenging programme of work to complete over the next few years. There could hardly be a more exciting time to lead Inland Revenue, and I look forward to delivering changes that will have great practical benefit for our customers and for New Zealand.



Naomi Ferguson
Chief Executive and Commissioner of Inland Revenue

Part 1

OUR OPERATING ENVIRONMENT

NATURE AND SCOPE OF OUR FUNCTIONS

OUR PURPOSE

Inland Revenue contributes to the economic and social wellbeing of New Zealand by collecting and distributing money. Our outcomes are:

- Revenue is available to fund government programmes through people meeting payment obligations of their own accord.
- People receive payments they are entitled to, enabling them to participate in society.

We are New Zealand’s principal revenue agency, collecting about 80% of core Crown revenue. We also have an important role in administering social policy programmes, often in conjunction with other government agencies. Both of these main roles are administered under Vote Revenue.

FIGURE 1—
SCOPE AND SCALE OF INLAND REVENUE’S ACTIVITIES

2012–13	
Revenue is available to fund government programmes through people meeting payment obligations of their own accord.	
• Revenue collected	\$53.8 billion
• Student loan repayments	\$1.1 billion
People receive payments they are entitled to, enabling them to participate in society.	
• Working for Families Tax Credits paid	\$2.6 billion
• KiwiSaver funds distributed to scheme providers	\$3.1 billion
• Child support payments distributed to custodial parents	\$226 million
• Paid parental leave payments distributed	\$165 million

OUR ACTIVITIES

In 2012–13 our tax customers included:

- Individuals**—1.2 million customers filed annual tax returns
- Employers**—195,000 employers filed over 2.0 million employer monthly schedules
- Companies**—420,000 companies filed returns
- GST payers**—630,000 registered customers filed 3.0 million GST returns.

Social policy programmes

We manage or share the administration of:

- **Working for Families Tax Credits**—we administer the programme jointly with the Ministry of Social Development.

We distribute \$2.6 billion in entitlements to support working families.

- **Child support**—we collect child support payments. In 2012–13 we collected \$435 million from 179,000 paying parents and distributed \$226 million to custodial parents¹.
- **KiwiSaver**—we administer the scheme by collecting contributions and transferring them to scheme providers for investment. In 2012–13 we distributed \$3.1 billion to scheme providers on behalf of 2.1 million members.
- **Student loans**—we jointly administer this programme with the Ministries of Education and Social Development (StudyLink). In 2012–13 we had 711,000 borrowers.
- **Paid parental leave**—we make payments, for the Ministry of Business, Innovation and Employment, to parents who take leave from their job or business to care for a baby. In 2012–13 we made \$165 million in payments to 26,000 applicants.

ORGANISATIONAL STRUCTURE

To meet our strategic intentions we manage our functions and operations through the following groups:

- **Policy and Strategy**—undertakes policy development, forecasting and analysis, tax law drafting and strategic planning
- **Service Delivery**—provides information and education, and carries out compliance activities. This group is the main point of interaction for customers making payments and filing returns
- **Office of the Chief Tax Counsel**—provides technical taxation advice, rulings and dispute review services
- **Information, Intelligence and Communications**—manages corporate and customer information, data analytics, customer intelligence, and internal and external communication
- **Change**—supports the Investment Board to determine our investment portfolio, ensures its delivery, and develops and maintains our enterprise architecture
- **Corporate Integrity and Assurance**—provides corporate support and service functions, including governance, legal, risk, assurance, procurement and the Christchurch Rebuild programme
- **Performance, Facilities and Finance**—delivers financial and planning services and manages our facilities
- **Technology Strategy and Operations**—delivers IT operations and services
- **People and Culture**—delivers human resources services.

¹ The balance goes to the Crown to offset sole parent benefits paid to custodial parents by the Ministry of Social Development.

OUR OPERATING ENVIRONMENT

We operate in a dynamic, complex environment and our planning takes into account the challenges set out below.

MAINTAIN GOVERNMENT REVENUE

During the global financial crisis and the 2008 recession, tax revenue declined and our debt portfolio increased significantly. Since then, tax revenue has recovered and moderate economic growth is expected to continue. The reconstruction of Canterbury and New Zealand's increasing trade and investment relationships with Asia, the fastest-growing region in the world, are important contributors to economic growth.

Like all developed countries, New Zealand will need to respond to domestic and international threats to our revenue base from tax avoidance and tax evasion. The increased complexity of global business operations requires Inland Revenue to be actively involved in international solutions to protect revenue. For example, we participate in the OECD-led work on tax base erosion and profit shifting by multinationals². We also help by implementing government policy changes that support New Zealand's fiscal position and competitiveness in international markets.

REDUCE OUR ADMINISTRATION COSTS

Operating within our baseline will be a challenge as our costs increase each year. We are reducing our administration costs through better management practices and targeted improvement initiatives. At the same time, we are improving our services and implementing tax and social policy changes. We need to do this while managing risks associated with carrying out our core business, maintaining the integrity of the tax and social policy system and implementing our Business Transformation programme. This programme is a multi-year series of business-led and technology-enabled improvements that will fundamentally change how we operate.

WORK ACROSS GOVERNMENT TO IMPROVE SERVICES

We are working closely with other government agencies to deliver the innovative and effective public services that government and our customers expect. We will link more of our customer services with those of other government agencies to provide a seamless service. For example, parents can now apply for an IRD number for their babies when they register the birth with the Department of Internal Affairs. There will also be more cross-agency information sharing. This will be balanced against the need to protect customer privacy and the integrity of the tax system.

RESPOND TO THE CHALLENGES OF AN INCREASINGLY DIGITAL WORLD

We need to keep pace with rapid technology changes, the expectations of our customers, their increasing digital literacy and access to mobile devices. We will enable our customers to manage their own tax affairs in a more cost-effective way through digital channels. We will create a "digital border" that ensures most information from our customers and intermediaries is digital and validated on receipt.

IMPROVE THE QUALITY OF INFORMATION WE USE TO MAKE BUSINESS DECISIONS

We hold a large amount of data and information. We recognise that this is an important asset and we can improve the way it is managed and analysed. Enhancing our use of information and developing intelligence from customer data will enable us to better understand our customers, make evidence-based management and policy decisions, and use our resources more effectively. Our new coordinated information, intelligence and communications function will help us do this.

IMPROVE THE RESPONSIVENESS AND AGILITY OF SYSTEMS

Our ability to quickly and cost-effectively implement government initiatives is constrained by our core ICT infrastructure, FIRST. Our technology systems were originally designed for tax administration. It has become harder to implement major initiatives, particularly social policy changes, using our business processes and core systems infrastructure. Implementing our Business Transformation programme, together with rationalising, consolidating and simplifying our information, communication and technology environment, will help address this challenge.

RESPOND TO THE CHANGING CUSTOMER BASE AND WORKFORCE

An ageing population will have economic costs and affect potential revenue. The make-up of the country's population is changing, with increasing representation by Asian and other migrants, who have different service needs. As we understand these population changes, we will respond by developing the capabilities, skills and organisational culture required to meet customer needs.

² Shifting profits across borders to take advantage of tax rates that are lower than in the country where the profit is made.

Part 2

STRATEGIC INTENTIONS

IR FOR THE FUTURE

Our long-term strategies are designed to respond to our challenges and guide us towards the organisation we want to be. *IR for the future* outlines our long-term intentions. It is our guide for what we want to be as an organisation and how we get there. It describes our role, outcomes and goals—see below.

FIGURE 2—
KEY ELEMENTS OF *IR FOR THE FUTURE*



OUR STRATEGIC INTENTIONS FOR THE NEXT FOUR YEARS

To help achieve *IR for the future*, we will focus on three main areas:

- implementing our transformation change agenda
- contributing to government policy and priorities
- delivering and improving our core business, including enhancing the customer experience.

We will work in these three linked areas concurrently, balancing our need to deliver today and transform for tomorrow.

IMPLEMENTING OUR TRANSFORMATION CHANGE AGENDA

We are changing the way we deliver our services. We will do this through our Business Transformation programme and by changing our culture and workforce. We will engage with businesses, software providers and tax professionals.

HOW WE WILL CHANGE

Business Transformation is a business-led, technology-enabled change programme to implement the infrastructure and capability that will underpin a modern revenue system. This will enable us to:

- improve agility so that policy changes can be made in a timely and cost-effective way
- deliver more effective and integrated services to improve customer compliance and help support the outcomes of social policies
- improve productivity and reduce the cost of providing our services
- make it easier for our customers to interact with us
- increase our intelligence and risk assessment capability to better target non-compliant behaviour
- increase the secure sharing of intelligence and information across government to improve delivery of customer services and improve public sector performance
- implement a technology platform that is scalable, flexible and reliable.

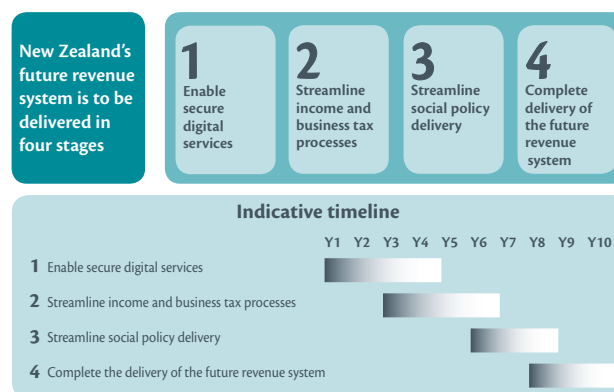
Introducing new processes and a new technology platform will be lengthy and complex. At the same time we must also continue to collect revenue and disburse payments, and meet our commitments to delivering better public services and the Government’s tax and social policy work programme.

Our roadmap

Our Business Transformation programme roadmap sets out the starting point for the programme and its overall phasing. We plan to deliver the programme in four customer-focused stages:

- *Stage 1: Enable secure digital services*—this will allow most of our customers to self-manage and reduce businesses’ compliance burden in fulfilling their PAYE and GST obligations.
- *Stage 2: Streamline income and business tax processes*—this will build on the foundations laid in the previous stage and further reduce businesses’ compliance burden.
- *Stage 3: Streamline social policy delivery*—this will improve the delivery of the social policies we administer.
- *Stage 4: Complete delivery of the future revenue system*—this will include moving any remaining management and administration of tax and social policy to a new platform and decommissioning technology platforms that are no longer required.

FIGURE 3—
STAGES OF OUR BUSINESS TRANSFORMATION PROGRAMME



Stage 1

This stage will lay the foundations for future work. It will take the initial steps needed to improve our business processes, data management and organisational capability, together with building the first parts of our new technology platform.

Stage 1 will have three workstreams:

- Strategic
- Foundational
- Tactical

Strategic workstream

The strategic workstream will include the business processes and technology changes required to start replacing our FIRST system with a new tax and social policy technology platform. These will streamline the PAYE system and improve GST information collection. The design phase will identify technology solutions and business processes for all our products, systems and services, including a single source of data.

This workstream also includes policy work to identify any legislative barriers to customers moving to digital channels. We will also draw on the work undertaken to support Better Public Services results 9³ and 10⁴ and will help shape the design of the future revenue system.

Foundational workstream

Our foundational workstream will include preparing data for migration and integrating current and new technology platforms, which are typically complex and time-consuming activities. This work is required irrespective of the preferred technology solution and will begin in parallel with the design phase.

³ Result 9: New Zealand businesses have a one-stop online shop for all government advice and support they need to run and grow their business.

⁴ Result 10: New Zealanders can complete their transactions with government easily in a digital environment.

Tactical workstream

The tactical workstream will deliver improvements to the functionality of myIR (our secure online service) to provide a seamless service to customers. It will also remove the need for customers to file a “nil” GST return, and deliver new applications for mobile devices. These enhancements will help us maintain and improve our current services.

Stage 1 will allow most customers to manage their own tax and social policy obligations. We will provide more digital services and more opportunities for two-way interactions between our systems and software used by third parties. We will also implement a digital border, which will mean customers and intermediaries can be certain we have accepted their information because we have validated it. Other benefits will include:

- less manual processing
- fewer customer contacts
- reduced compliance burden for businesses to meet PAYE and GST obligations
- improved data accuracy
- more certainty about the amount of income tax deductions and social policy entitlements and obligations for individuals.

Future stages

Stage 2 will involve the streamlining of income and business tax processes. Key outcomes will include:

- further reductions in the compliance burden related to fulfilling income and business tax obligations
- less processing for income and business tax
- less need for customers to contact us about income and business tax
- improved compliance through better information about, and analysis of, customer behaviour
- improved system performance and reliability.

Stage 3 will focus on streamlining the administration of our social policy. Key outcomes will include:

- streamlined and digital processes for the social policies we administer
- less processing for social policy entitlements and fewer customer contacts
- targeted compliance activities aimed at high-risk, high-return areas
- improved system performance and reliability.

Stage 4 will complete the delivery of the future revenue system. This process will include moving any remaining management and administration of taxes and social policies to a new platform, and decommissioning platforms no longer required.

Policy implications

Improving the customer experience to make it easier and simpler for our customers will require significant policy-related work over the life of the Business Transformation programme.

Stage 1 will focus on the provision of secure digital services for businesses, including smoothing the provision of PAYE and GST information.

Stage 2 will examine the policy settings for income tax and business tax processes to simplify administration of these taxes.

Stage 3 will look at streamlining the delivery of social policies we administer, such as child support and Working for Families Tax Credits.

Stage 4 will transfer the remaining management and administration of tax and social policy to the new platform.

All this work will be subject to the usual public consultation process.

CHANGING OUR CULTURE AND WORKFORCE

Changing and streamlining the way we deliver our services, mainly through greater use of digital and online services, will have an impact on our people. As we move towards greater application of technology and streamlined processes, we will make corresponding changes to our workforce composition. To prepare ourselves for this, we are designing frameworks and systems to help reshape our organisational capability.

Change leadership and capability

Effective change leadership is essential to delivering the goals of *IR for the future*. A core competency for all our leaders will be the ability to be more agile, adaptable and open to new ways of working. We are reviewing our leadership framework and approach in 2014 and will redesign our leadership programmes during 2015.

We will manage the challenges and risks associated with our Business Transformation programme through our organisational change management function.

Workforce strategy

A detailed assessment and understanding of our current and future workforce capabilities will ensure that we have the skills required for our future business. During 2014–15, we will review our people-related programmes and initiatives, including our:

- workforce strategy
- leadership framework
- talent management approach
- culture strategy.

This will help us develop our people-related systems that support our transformation outcomes.

Culture

Inland Revenue needs a work environment that encourages and supports more productive, engaged employees, and also one that features strong leadership, innovation, clear accountability and sound risk management. *IR for the future* sets out the need to continue to develop and change our organisation's culture based on the following shared values:

- Trust and integrity—we act with integrity, honesty and professionalism. This ensures that we continue to be one of New Zealand's most trusted organisations.

- Valuing people—we treat each other and our customers with respect.
- Innovating to make a difference—we keep finding new ways to lift our performance and make compliance easier.
- Working together—we work together and with other organisations to deliver better services and value.

Our leaders will focus on maintaining and improving our culture and staff engagement while we transform.

CONTRIBUTING TO THE GOVERNMENT'S PRIORITIES

We have a responsibility as a government agency to contribute to the Government's priorities. These are to:

- responsibly manage the Government's finances
- build a more competitive and productive economy
- deliver better public services within tight fiscal constraints
- rebuild Canterbury.

We will also continue to participate in a range of all-of-government activities, and collaborate with other agencies to reduce costs and improve efficiency and effectiveness.

RESPONSIBLY MANAGE THE GOVERNMENT'S FINANCES

Our responsibility is to collect revenue to support funding of government programmes by ensuring that our customers comply with their tax obligations. In 2012–13 we collected \$53.8 billion, about 80% of core Crown revenue. The tax policy work programme helps the Government achieve its fiscal, economic and social objectives.

The reconstruction of earthquake-damaged Canterbury is playing an increasingly important part in the expansion of New Zealand's economy. It is essential we protect revenue due to the Government from the rebuilding effort, which will cost about \$40 billion.

We also administer social policy programmes, often with other agencies, including child support, student loans, paid parental leave, Working for Families Tax Credits and KiwiSaver. We are responsible for ensuring people receive their correct entitlements.

BUILD A MORE COMPETITIVE AND PRODUCTIVE ECONOMY

We need to ensure New Zealand is an attractive place to do business and invest in because New Zealand is a participant in the global economy. We also need to strengthen tax rules to ensure overseas companies pay their share of tax in New Zealand. Our tax policy work helps develop a more competitive and productive economy.

Part of the work in this area will focus on continuing our participation in the OECD-led response to the global problem of base erosion and profit shifting by some overseas multinational companies. Proposals are scheduled to go to an OECD subcommittee in late 2014. Meanwhile, we will continue working on projects to strengthen domestic rules on international tax.

Our tax policy work over the next four years will include:

- taking forward the Government's proposal to cash out research and development tax losses in the income year they arise in
- considering the tax deductibility of capital research and development expenditure
- considering how to preserve the benefit of loss offsetting for shareholders of non-wholly owned groups
- considering simplifying technical and base maintenance matters applying to closely held companies
- reviewing whether tax pooling rules operate as intended.

We will implement legislative changes during the next four years. Approved policy changes include:

- Child Support Reform
- the Foreign Account Tax Compliance Act.

Inland Revenue is responsible for collecting and distributing child support payments. The first phase of changes to the scheme, embodied in the Child Support Scheme Amendment Act 2013, was scheduled to take effect on 1 April 2014. However, the complexity of the reforms and the flow-on effects for us in administering them necessitated a one-year delay in implementation. This was approved by the Government in December 2013. Legislation to enable the deferment was enacted on 27 February 2014 by the Taxation (Annual Rates, Foreign Superannuation, and Remedial Matters) Act 2014. Legal and policy work will be necessary to ensure these changes occur smoothly and on time.

Inland Revenue is also actively involved in work to secure an inter-governmental agreement with the United States over its Foreign Account Tax Compliance Act. This legislation requires foreign financial institutions to give United States authorities details of accounts held by American citizens, tax residents and others. As part of preparations for an agreement, we are assessing the legal and policy implications of such a move.

DELIVER BETTER PUBLIC SERVICES WITHIN TIGHT FISCAL CONSTRAINTS

We have an important role to play in improving services for New Zealanders. We play a key role in the Better Public Services programme, the delivery of the Government's ICT Strategy, all-of-government services and other cross-agency initiatives. We will incorporate our contribution to them into the design and development of the Business Transformation programme where it makes sense to do so.

We are continuing our focus on delivering greater value for money and doing more with less.

We will continue to work on initiatives that contribute to Better Public Services results 7, 9 and 10.

Result 7—*Reduce the rates of total crime, violent crime and youth crime.*

We share information in accordance with the law to prevent crime and fraud, and explore ways to reduce duplication between agencies.

Result 9—*New Zealand businesses have a one-stop online shop for all government advice and support they need to run and grow their business.*

Result 9 is about creating a better environment for business growth and “one face of government” for our business customers. To support this, we are exploring options for the New Zealand Business Number and we continue to participate in developing the result 9 strategic direction and roadmap. We are developing integrated business-facing services.

Result 10—*New Zealanders can complete their transactions with government easily in a digital environment.*

Result 10 is about making it easier to interact with government agencies through digital channels. The Government has set a target of completing 70% of common government transactions in a digital environment by 2017. We are committed to delivering three of our common transactions digitally—filing individual tax returns, paying individual tax and applying for an IRD number. We will continue to:

- promote our online services and encourage customers to file and pay online through a range of activities
- explore opportunities for a digital service for people to apply for an IRD number
- participate in the design and development of the result 10 blueprint.

We are also involved in developing the strategic direction for results 9 and 10.

Government ICT Strategy

The Government ICT Strategy focuses on using information and technology to deliver better services to New Zealanders. By 2017, the aim is to enable individuals and businesses to connect with government services through digital channels, joined-up services and technology that will function across agencies. The digital and information strategy and its associated actions are reflected in our plans.

In line with the Government’s ICT Strategy, we will use all-of-government services where they are available and where they fit with our Business Transformation programme. For example,

we are working with other agencies to explore the feasibility of collecting payments and disbursing money as an all-of-government service.

We will continue to work with other government agencies to enable more effective information sharing between government agencies and with third parties by helping to simplify the management and control of agency data interconnections. Specifically, we will be:

- providing services digitally and managing information as an asset
- using common government capabilities where they are available and suit our purpose
- supporting government business rules capability.

Contributing to other all-of-government activities

We are involved in other all-of-government activities. We will continue to work with other agencies to identify where we could adopt new and improved processes and services used elsewhere in the public sector.

Co-location

We have successfully shared locations with other government agencies. This has reduced our operating costs and enabled our customers to access a joined-up government service in one location. This approach has provided an opportunity to learn how other agencies operate. We will continue to explore further opportunities to collaborate with other government agencies.

Procurement

We are participating in the Government’s new streamlined procurement rules, which have changed the way it does business with suppliers by making agencies’ procurement practices more consistent and business-friendly. The new rules promote a value-for-money approach to procurement, which means that rather than just getting the lowest price, we will consider total cost of ownership and other benefits.

All-of-government banking services

Our banking contract with Westpac has been in place for 10 years. During this time the banking requirements of government have changed considerably. We are working with Treasury and the Ministry of Business, Innovation and Employment (MBIE) which are leading an all-of-government solution to meet the Government’s current and future banking needs. This solution will provide access to economies of scale, better value for money, process efficiencies and better interaction for financial payments between government, business and taxpayers.

REBUILD CANTERBURY

The reconstruction of New Zealand's second-largest city is a priority for us.

Providing joined-up government services in Christchurch

We will continue to work collaboratively with other government agencies in Christchurch. For example, we are developing a joint procurement approach for major government-funded projects with MBIE and the Canterbury Earthquake Recovery Authority. We will continue to develop cross-agency compliance solutions. We will work with the Ministry of Justice to identify opportunities for collaboration and sharing resources during the development of the Justice and Emergency Services precinct.

Improving compliance in Canterbury

We have staff and other resources dedicated to ensuring GST and PAYE obligations are met in Canterbury, especially by new businesses. We have also identified potential compliance risks stemming from the large number of temporary migrant workers brought in to help with the reconstruction of Christchurch. Over the next few years, we will increase our activities in this area, reinforcing our compliance work, raising our visibility in the Canterbury community and strengthening local relationships with industry associations, funding distributors, insurance companies and government agencies. We will also allocate more auditing and account management resources to identify non-compliance.

DELIVERING AND IMPROVING OUR CORE BUSINESS

Implementing our Business Transformation programme will be our top priority but this will not be at the expense of our core business. Throughout our transformation work, we will continue to improve day-to-day services within the limits of the funding we receive. Over the next four years we will enhance our existing services to improve:

- the customer experience
- compliance
- business efficiency.

Our areas of focus are detailed below.

IMPROVE THE CUSTOMER EXPERIENCE

We want customer interactions with us to be as convenient and easy as possible. We will continue to do this by enhancing and expanding our services.

Customer satisfaction

Helping customers understand their obligations and entitlements, and ensuring they are satisfied with our services, contributes to voluntary compliance. In 2012–13, a total of 92% of customers were confident we were doing a good job, and satisfaction with our online services was also high, with 94% of customers satisfied and 78% very satisfied. We are committed to maintaining our customer satisfaction levels and we will improve our services to meet customer needs.

Digital services

Our customers increasingly expect to interact with service providers using digital channels. We will provide new ways of getting information to our customers to meet their changing expectations. We will continue to use YouTube videos to make it easier for our customers to understand how to meet their obligations.

We will continue to enhance our online services, particularly our mobile services. We also plan measures to encourage greater use of eUptake GST and eUptake payments. We will connect our digital services to third parties, including tax software providers, banks and tax agents. This will let our customers, who already work digitally in their business, seamlessly access our services. We will continue to introduce mobile applications for our customers and implement digital uptake measures such as eStatements and eNotices.

Switching incoming customer information to digital formats is one area where we expect to make more progress. In 2014 we achieved this for digital returns (89%) and digital payments (84%).

Registrations for our voice ID service reached one million in 2014 and are growing steadily. We will move towards our goal of 70% of GST-paying customers using the eGST service by 2017. The percentage of GST returns filed online continues to grow.

IMPROVE COMPLIANCE

A key aspect of our core business is helping to maximise voluntary compliance. We assist customers who are willing to meet their compliance obligations but are unaware or uncertain about how to do so. Influencing voluntary compliance, targeting inadvertent non-compliance by providing information, assistance and tools, and detecting and deterring deliberate non-compliance are part of our core activities.

Smarter use of data and intelligence

Smarter use of data and intelligence will enable us to carry out earlier interventions. We will continue to improve the way we use tools to analyse our data and data from other sources to identify and predict risks. We will improve our compliance intelligence to provide better intelligence-related services to other agencies. We will update our information strategy in 2014–15 to ensure that it aligns with our Business Transformation programme.

Understanding and influencing customer behaviour

We undertake work to understand and influence customers' behaviour so it is easier for them to meet their obligations and receive their entitlements. During 2014, we will redesign our compliance model so it assesses a more comprehensive range of factors influencing customer behaviour. This work will enable us to design a wider range of approaches to improving compliance. The new model will show how customers' behaviour relates to their capabilities, motivations and opportunities. It will help guide decisions on the best approach to take to influence customer behaviour.

Dealing with non-compliance

Our customers need to have confidence in our ability to address non-compliance. This encourages compliance and maintains confidence in our tax system. The majority of our customers file and pay on time. There are areas of the economy, however, where we must continue to pay particular attention. The hidden economy is one area where our efforts have produced positive results. In Christchurch, for example, we are identifying areas of the local economy where small businesses are using cash transactions to bypass their tax obligations. We expect to expand our work in this area, using risk-based assessments, as reconstruction work gathers pace in the city.

Our work on addressing non-compliance in the property sector has been successful and we will continue our focus in this area. Another area of focus is aggressive tax planning. Our work here is well on track to reaching its multi-year target.

We have strengthened the integrity of the tax system through successful litigation, which has significantly reduced the scope for tax avoidance. We will continue to identify and take action in relation to schemes designed to avoid or significantly reduce tax liability.

Managing debt

Managing overdue debt is another area where we will continue to focus considerable attention. Measures to prevent debt and, where necessary, acting early to manage it, have proved successful and will be continued. We will concentrate on new debt with a high probability of recovering sizeable outstanding amounts. Lessons we have learned through recovering debt from overseas-based student loan borrowers will be applied to other areas such as child support debt.

To help minimise the number of customers missing payments for income tax, student loans and Working for Families Tax Credits when they fall due, we are sending text messages and letters reminding individuals and businesses of the deadline. This is proving successful. We will use online advertising, including Facebook, Google and Twitter, to reinforce that message.

We will continue to focus on early intervention with customers who incur new debt and customers who fail to keep up with instalments. We have achieved a higher-than-targeted return on investment, and will continue to use this approach.

We are improving the collection of older debt and outstanding returns through a combination of case management and campaigns. We will continue to select cases with a potential for cash recovery and apply tailored interventions to them. We have achieved a higher-than-targeted return on investment, and will continue to apply this approach.

The number of outstanding returns continued its recent downward trend. Outstanding returns by companies often involve large amounts of tax, and we will pay closer attention to them in future.

The debt of overseas-based borrowers remains disproportionately high at 87% of total student loan debt. Our initiative to target non-compliance by overseas-based borrowers has consistently achieved returns above target.

In 2013, we resolved more child support debt cases than in 2012 and we intend to accelerate this progress. About two-thirds of overseas-based parents who are not meeting their child support obligations live in Australia. In 2013, we signed an agreement with the Australian Department of Human Services to pursue payments on our behalf. We are also piloting legal action direct from New Zealand.

IMPROVE BUSINESS EFFICIENCY

We will continue to increase the value for money we deliver through improving our processes, strengthening our capital asset management, maintaining our ICT environment and reducing property overheads.

Improve our processes

We run an operations management programme to make processes more efficient and improve customer services. This gives frontline managers the skills, tools and processes to manage their work and lead their teams as efficiently as possible. In 2014, we will extend this into our investigations and advice areas. These areas provide auditing services as well as legal and technical expertise. We expect to make efficiency improvements of at least 15% by late 2017.

Capital asset management

The need to change the way we operate means that most of our capital investment over the next four years will go into the Business Transformation programme. We will also need to set aside sufficient funds to maintain existing services and infrastructure. To strengthen our asset management, we will update and consolidate our asset planning policies into an asset management plan. The increasing use of “as-a-service” solutions, particularly for ICT, will be considered in relation to our asset management planning and funding.

Maintain our ICT systems and infrastructure

We will invest in ICT systems and infrastructure so we can meet government and customer expectations for better, smarter and more cost-effective services. In 2014–15, we will develop an ICT strategy—aligned with the Government’s ICT strategy—and associated plans that will determine how we rationalise and simplify our ICT environment. The strategy will be closely linked with our Business Transformation programme and will provide a foundation for developing investment business cases to ensure we continue to maintain the integrity of our tax and social policy system.

Maintain our property leasehold portfolio

We will continue to reduce our property overheads to lower our running costs. We want to make the best use of existing office space and move where we can find better accommodation for comparable or better rates. Another option, and one increasingly used in response to Better Public Services goals, is to share offices with other government agencies where possible.

Over the next four years we will either complete leasehold improvement projects or negotiate new premises. By June 2018, all premises will have a National Building Standard rating of more than 67% and meet a B-grade quality standard.

Part 3

RISK MANAGEMENT

MANAGING OUR RISKS

Inland Revenue recognises that risk management is an important element of good governance and management practice. Inland Revenue uses an Enterprise Risk Management approach to managing risks to the organisation in the strategic, operational, programme and project environments. A summary of our enterprise risks and associated mitigations is set out below.

**FIGURE 4 –
OUR ENTERPRISE RISKS**

Enterprise Risk	Our mitigations include:
We fail to balance all-of-government strategies effectively with the delivery of core business leading to sub-optimal outcomes	<ul style="list-style-type: none"> • We will align our long-term planning with the Government’s Better Public Services goals • We will participate in all-of-government steering groups to understand and anticipate impending public sector changes
We are unable to source sufficient government funding to deliver our Business Transformation programme	<ul style="list-style-type: none"> • Our four-year and 10-year plans will make a compelling case for the investment we need to implement change • We will present rigorous, well-considered business cases for government funding that set out the costs and benefits of proposed spending • Our Investment Board will provide strong governance oversight of our Business Transformation programme investments
Natural hazards such as earthquakes disrupt delivery of critical services	<ul style="list-style-type: none"> • We will identify and assess potential business impacts and regularly review our response plans, which include business impact assessments, business continuity plans, disaster recovery plans and business continuity emergency management procedures
We don’t have enough experienced and qualified people to deliver the Business Transformation programme and other programmes	<ul style="list-style-type: none"> • We will develop and implement strategies to promote workforce capability, employment relations, leadership and workplace culture
The expanding availability of our information in digital form to others reduces our ability to control that information	<ul style="list-style-type: none"> • We will ensure our security policies, procedures and standards are strong and enforced • We will develop and monitor information-sharing protocols • We will align our protocols with government security and privacy standards • We will continue to review staff training and awareness • We will continue to assess our security processes and performance
Individuals and organisations represent themselves as Inland Revenue, affecting the integrity of the tax system	<ul style="list-style-type: none"> • We will keep our security incident database up to date • We will monitor social media and internet sites for signs of security breaches • We will respond rapidly to reports of misrepresentation • We will develop communications strategies to alert the public to scams
Outdated technology and unsupported software result in systems failures that affect delivery of critical services	<ul style="list-style-type: none"> • We will continue to invest in stabilising our IT systems • We will invest in the upgrade of some key systems and applications • We will increasingly buy technology services, rather than buy technology for in-house operation

FIGURE 4– (CONTINUED)
OUR ENTERPRISE RISKS

Enterprise Risk	Our mitigations include:
Ineffective or incomplete delivery of the Business Transformation programme reduces our ability to meet government revenue forecasts	<ul style="list-style-type: none"> • We will continue to work towards reaching our target operating model • Our governance boards will monitor progress of the Business Transformation programme • Our management will coordinate and report on progress of the Business Transformation programme
Ineffective or incomplete delivery of the Business Transformation programme reduces our ability to implement government policy	<ul style="list-style-type: none"> • We will continue to work towards reaching our target operating model • Our governance boards will monitor progress of the Business Transformation programme • Our management will coordinate and report on progress of the Business Transformation programme
Confidence among customers and stakeholders in our ability to protect their data as a result of information-sharing with government agencies results in a drop in voluntary compliance	<ul style="list-style-type: none"> • We will ensure our security policies, procedures and standards are strong • We will develop and monitor information-sharing protocols • We will align our protocols with government security and privacy standards • We will continue to review staff training and awareness • We will align our security processes with other agencies and continuously monitor performance
A downturn in the world's economy affects New Zealand's ability to fund and deliver government priorities	<ul style="list-style-type: none"> • We will continuously identify and monitor changes in overseas economic trends through research and forecasting
The changing customer profile affects voluntary compliance	<ul style="list-style-type: none"> • We will monitor and report on the effect of changes to the customer base • We will use research and planning to develop tailored responses to customer base changes
We lose the trust and confidence of stakeholders by not recognising or understanding how their expectations change	<ul style="list-style-type: none"> • We will continue to work closely with the Ministers' offices • The Executive Leadership Team will engage closely with key stakeholders • We will monitor and respond to changes in the integrity of the tax system • We will monitor and respond to emerging trends in policy and strategy • We will take part in forums with our key stakeholders
Complex international transactions affect our ability to collect revenue	<ul style="list-style-type: none"> • We will have regular consultation with organisations such as the OECD and overseas tax administrations to identify changes to practices • We will continue to consult closely with New Zealand stakeholders such as Treasury to develop policy and strategies to work on complex international practices

Part 4

MEASURING OUR PERFORMANCE

MEASURING OUR PERFORMANCE

OUR OUTCOMES FRAMEWORK

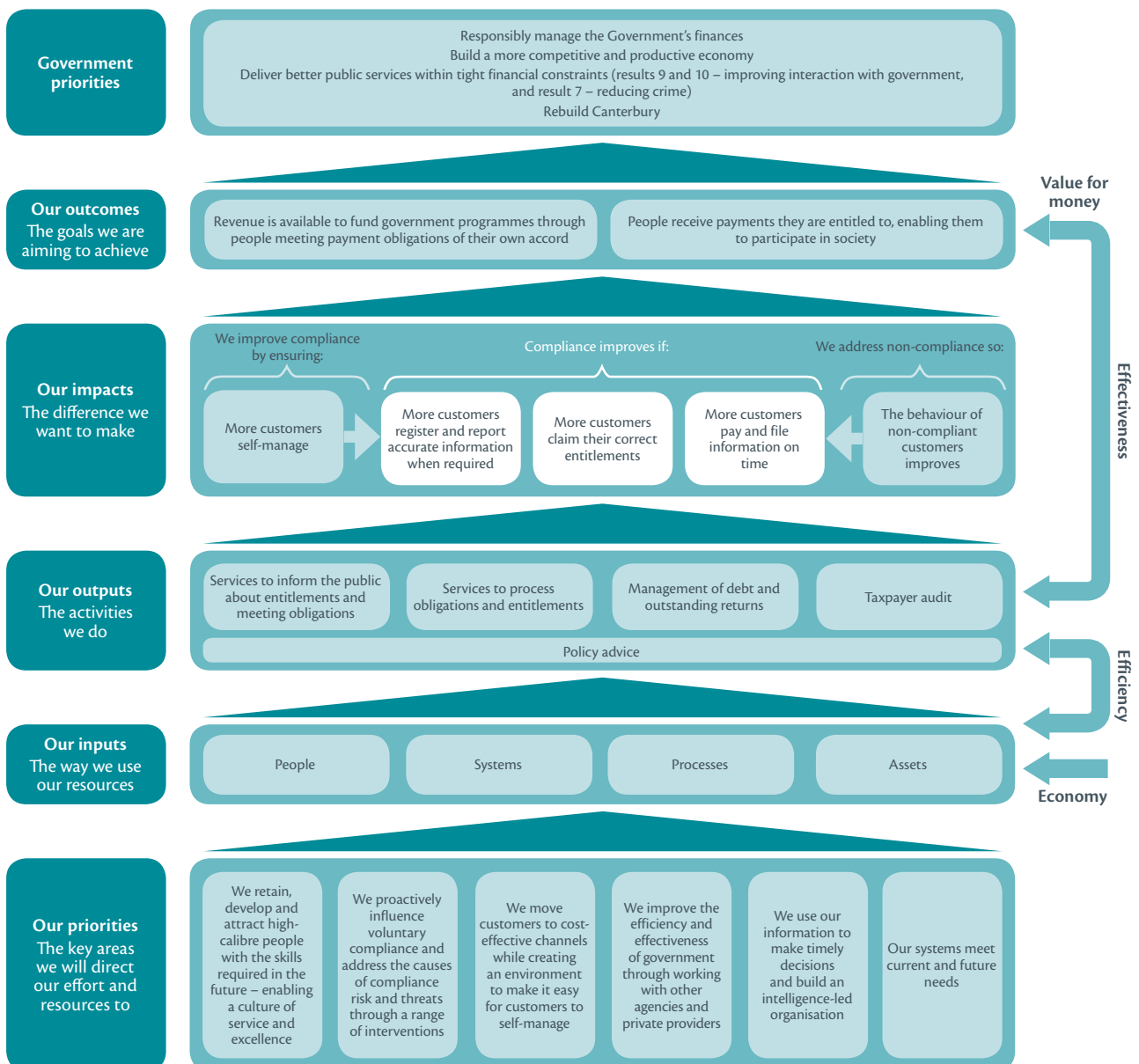
Our outcomes framework sets out what we want to achieve. It shows how we intend to organise and use our resources to deliver services to New Zealanders, and contribute to the social and economic wellbeing of New Zealand by collecting and distributing money.

We must provide the best value for money from public funds. The framework shows how we carefully consider the relationship between our resources, outputs and impacts to ensure we stay focused on delivering value for money.

Three elements contribute to this:

- Economy—getting and using our resources as economically as possible
- Efficiency—producing more for the same or less
- Effectiveness—operating in a way that achieves our outcomes.

FIGURE 5—
OUR OUTCOMES FRAMEWORK



IMPACT INDICATORS

Our outcomes framework includes the impact we want to achieve in the next four years. Our current set of indicators shows the effect our activities are having on customer compliance behaviour. We have established baseline data and set targets through to 2018.

In setting targets we have taken into account:

- our strategic intentions, including transformation
- our operating environment, including government priorities, the economy, our resources and customer expectations.

Figure 6 shows the impact indicators we will report against in our 2015 Annual Report.

FIGURE 6–
OUR IMPACT INDICATORS⁵

Impact indicator	2013 Performance	2018 Target
More customers self-manage		
% of customers who are aware of their obligations and entitlements increases	82%	85%
% of customers who find it easy to comply increases	79%	80%
More customers register and report accurate information when required		
% of returns filed without errors increases	85%	88%
% of applications submitted without errors increases	83%	90%
% of correct student loan deductions for New Zealand-based borrowers is maintained	99%	98%
Employer registrations follow an appropriate trend ⁶		n/a (contextual)
GST assessed to consumer spending follows an appropriate trend ⁷		n/a (contextual)
More customers claim their correct entitlements		
% of accurate Working for Families Tax Credits payments increases ⁸	2012 tax year: 67%	70%
% of child support assessments collected increases	73%	75%
Working for Families Tax Credits registrations follow an appropriate trend ⁹		n/a (contextual)
Donation rebates claimed follow an appropriate trend ¹⁰		n/a (contextual)
More customers pay and file information on time		
% returns filed on time is maintained	2012 tax year: 83%	83%
% payments made by customers on time is maintained	2012 tax year: 86%	86%
% child support assessments paid on time increases	64%	68%

⁵ See ird.govt.nz for details of our impact indicator and output measurement methodology.

⁶ We report on this indicator to provide additional contextual information. Employers' correlation is between the number of employers who register for PAYE and the percentage of the labour force that is employed (from the Statistics New Zealand Household Labour Force Survey).

⁷ We report on this indicator to provide additional contextual information. This measure highlights a link between consumer spending and the amount of GST assessed, showing the completeness of information provided by GST customers. No target has been set because this is an indicator that is beyond our influence.

⁸ Payments are considered accurate if customers' total yearly payments are within 20% of their entitlement. The accuracy of payments is primarily a reflection of the quality of information provided to us by our customers.

⁹ We report on this indicator to provide more context. The Working for Families Tax Credits correlation is between the number of customers who receive payments from Inland Revenue and the number of households with dependent children (from the Statistics New Zealand Household Labour Force Survey).

¹⁰ We report on this indicator to provide more context to gauge if customers are claiming donation rebates. It looks at the relationship between donation rebates claimed from Inland Revenue and donation levels recorded at the Charities Commission.

FIGURE 6– (CONTINUED)
OUR IMPACT INDICATORS

Impact indicator	2013 Performance	2018 Target
The behaviour of non-compliant customers improves		
The compliance behaviour of customers who received an audit intervention improves	85%	85%
% collectable debt to total debt increases	63%	65%
% collectable debt recovered increases	10.3%	13%
% collectable debt to revenue assessed decreases	7.1%	6.0% or less

OUTPUT MEASURES

To ensure we remain on track to achieve our impact targets by 2018, we have a set of output measures to track our operational performance each year. We report on how well we deliver tax and social policy services to our customers using performance measures and targets. We have 53 measures grouped into six output classes:

- Policy advice
- Services to inform the public about entitlements and meeting obligations
- Services to process obligations and entitlements
- Management of debt and outstanding returns
- Services to other agencies
- Taxpayer audit.

Our output measures cover timeliness, quality, quantity and cost (see appendix 1). Activity forecasts (see appendix 2) estimate customer demand for our services and provide context for our output measure results.

Each year, we review our measures and targets to make sure they continue to reflect the range of services we provide, changes in our operating environment and feedback from external stakeholders, including Audit New Zealand.

MEASURING OUR EFFECTIVENESS AND COST-EFFECTIVENESS

We measure our effectiveness through:

- our impact indicators (see figure 6)
- evaluating our work programmes.

We evaluate the results of policies and major business projects against their objectives. The findings help us to understand what contributed to their success or what can be improved. We will continue to evaluate the social policy changes in student loans and child support. We will also evaluate our progress towards achieving the targets for Better Public Services result 9.

We will continue to participate in the OECD's comparative information study. This study compares tax administrations and provides detailed operational and costing information, as well as highlighting developments in international best practice. We expect the next study's results will be available in 2015.

We measure our cost-effectiveness by monitoring the average cost of our high-volume customer interactions (see figure 7).

**FIGURE 7–
COST INDICATORS**

Indicator	2012–13	2013–14	2014–15
	Actual	Target	Target
Cost per telephone contact	\$29.02	\$31.00	\$36.00
Cost per correspondence contact	\$38.31	\$41.00	\$45.00
Cost per counter contact	\$61.44	\$45.00	\$65.00
Average cost per customer-initiated contact	\$32.92	\$34.00	\$40.00
Cost per income tax return processed	\$5.14	\$5.20	\$6.50
Cost per GST return processed	\$1.27	\$1.60	\$2.00
Cost per employer monthly schedule processed	\$4.67	\$6.20	\$7.75
Average cost per return processed	\$3.78	\$4.00	\$5.00
Cost of finalising an overdue return	\$9.13	\$15.00	\$12.50

Costs have increased due to overheads from the Business Transformation programme, the Child Support Reform and other anticipated baseline changes.

MEASURING IMPLEMENTATION OF OUR BUSINESS TRANSFORMATION PROGRAMME

We will measure our progress towards implementing the Business Transformation programme through:

- Ministers' satisfaction
- weighted time and cost to implement policy
- percentage of correct customer obligations received on time
- percentage of social policy customers receiving accurate and timely payments
- cost to serve customers
- customer perception of dealing with Inland Revenue—“Makes it easy to get it right”
- reduction in customer tax compliance burden (expressed in hours)
- outcomes achieved from information sharing and security of information
- general perception—“You can easily access Inland Revenue”
- customer-facing system availability.

We will complete further work on these measures as we develop business cases for our Business Transformation programme.

EQUAL EMPLOYMENT OPPORTUNITIES (EEO)

Inland Revenue is committed to implementing the State Services Commission's Equality and Diversity: New Zealand Public Service Equal Employment Opportunities Policy. We will report annually on our progress.

**FIGURE 8–
EEO STATISTICS**

Percentage	2010–11	2011–12	2012–13
Female employees	65%	64%	64%
Female team leaders	64%	62%	63%
Female managers	45%	43%	45%

APPENDIX 1: OUTPUT MEASURES AND TARGETS

POLICY ADVICE

This output expense provides policy advice services (including second-opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters.

What is intended to be achieved

Providing policy advice services to support decision-making by Ministers on tax and social policy matters protects and maintains the integrity of the tax system, while ensuring that the tax system is as simple as possible and is internationally competitive. This contributes to the achievement of all Inland Revenue's desired impacts by improving the design and operation of the overall tax and social policy systems.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Quality			
Minimum percentage of policy advice papers that meet quality standards.	90%	90%	90%
Minimum percentage of ministerial satisfaction for policy advice.	95%	95%	95%
Cost			
Maximum average cost per hour of producing policy advice outputs.	\$150.00	\$97.00	\$150.00

SERVICES TO INFORM THE PUBLIC ABOUT ENTITLEMENTS AND MEETING OBLIGATIONS

This output expense provides services that help taxpayers and other customers to meet their payment obligations of their own accord and to receive payments they are entitled to. This is achieved through a range of proactive and reactive services to make people aware of their entitlements and obligations, and the services available to help them comply. This output expense also contributes to confidence in the tax administration system through managing individual customer complaints quickly, fairly and in confidence. It also provides services to Ministers to enable them to discharge their portfolio (other than policy decision-making responsibilities).

What is intended to be achieved

The purpose of this output expense is to promote confidence in the tax system and associated social policy programmes. Providing customers with relevant information and advice, certainty in relation to the application of the law, and a choice in how they engage with Inland Revenue will give customers increased understanding of their obligations and entitlements. This will contribute to achieving Inland Revenue's desired impact of more customers self-managing.

Services provided to Ministers support them to fulfil their responsibilities to Parliament and the New Zealand public.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Information services			
Quality			
Minimum percentage of customers who are satisfied with the quality of phone and correspondence contacts.	85%	84%	85%
Minimum percentage of customers who are satisfied with the quality of online services.	90%	94%	90%
Minimum percentage of customers confident that Inland Revenue takes appropriate action to ensure people receive their social support entitlements.	70%	72%	70%

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Timeliness			
Minimum percentage of attempted calls that we answer.	75%	79%	75%
Minimum percentage of telephone calls answered within two minutes. It's important that Inland Revenue provides customers with a quality service. A key aspect of this is being able to answer all telephone calls in a timely manner.	75%	70%	75%
Minimum percentage of correspondence answered within two weeks. It's important that Inland Revenue provides customers with a quality service. A key aspect of this is being able to answer all correspondence in a timely and accurate manner.	75%	72%	75%
Cost			
Maximum average cost of a customer-initiated contact. In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$34.00	\$34.00	\$40.00
Adjudication, public items, taxpayer rulings and escalations, and advising			
Quality and quantity			
Percentage of all rulings reports, adjudication reports and public items that meet the applicable purpose, logic, alternatives, consultation, and practicality standards.	100%	100%	100%
Minimum number of published or finalised public items that give the Commissioner's interpretation of the law.	25	25	25
Timeliness			
Minimum percentage of adjudication cases completed within three months of receipt.	90%	97%	90%
Minimum percentage of taxpayer ruling applications that have a draft ruling completed within three months of receipt.	90%	100%	90%
Minimum percentage of non-qualifying ruling applications that have a draft ruling completed within six months of receipt.	90%	100%	90%
Minimum percentage of public items (including relevant public consultation), completed within 18 months of allocation.	90%	96%	90%
Minimum percentage of submissions by the applicant on any draft ruling responded to within one month of receipt.	90%	97%	90%
Ministerial Services			
Timeliness			
Minimum percentage of ministerial correspondence responded to within 10 days.	95%	95%	95%
Percentage of parliamentary questions responded to within required timeframes.	100%	100%	100%

SERVICES TO PROCESS OBLIGATIONS AND ENTITLEMENTS

This output expense provides services that contribute to the availability of revenue to fund government programmes, as well as ensuring that taxpayers and other customers receive payments they are entitled to, including tax refunds. We achieve this through services designed to achieve timely, efficient and effective assessment and processing of:

- tax payments, tax credit claims and refunds for taxpayers
- entitlements for social support programmes.

What is intended to be achieved

The purpose of this output expense is to increase customer confidence in the tax system and associated social policy programmes. When customers have confidence they are more likely to self-manage their compliance obligations, register and report accurate information, claim their correct entitlements, and pay and file information on time. Processing obligations and entitlements in a timely, efficient and effective way provides value for money and contributes to the availability of revenue to fund government programmes.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Registrations, applications and processing			
Timeliness			
Minimum percentage of income tax returns finalised within four weeks.	90%	94%	90%
Minimum percentage of GST returns finalised within three weeks.	95%	99%	95%
Minimum percentage of employer monthly schedule employee deductions finalised within four weeks.	95%	99%	95%
Minimum percentage of social policy and tax registrations processed within five working days.	85%	87%	85%
Minimum percentage of payments banked on the day of receipt.	99%	99%	99%
Quality			
Minimum percentage of payments correctly processed to customers' accounts.	99.5%	99.7%	99.5%
Cost			
Maximum average cost of processing income tax returns, GST returns and employer monthly schedules.	\$4.00	\$4.00	\$5.00
In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.			
Statements, notices, refunds and payments			
Quality and timeliness			
Minimum percentage of notices and statements produced without error.	98.5%	99.5%	98.5%
Minimum percentage of income tax refunds issued within six weeks.	85%	89%	85%
Minimum percentage of GST refunds issued within four weeks ¹¹ .	95%	98%	95%
Minimum percentage of tax credit claim payments made within three weeks.	90%	98%	90%
Minimum percentage of Working for Families Tax Credits payments made on the first regular payment date following an application.	95%	99%	95%
Minimum percentage of paid parental leave payments issued to customers on the first regular pay day following the agreed date of entitlement.	97%	98%	97%

¹¹ Section 46 of the Goods and Services Tax Act 1985 stipulates refunds are to be issued within 15 working days unless selected for a screening or investigation. The four weeks' issuing timeframe allows additional time to include those selected in our performance.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Child support			
Quality and timeliness			
Minimum percentage of child support assessments issued within two weeks. It is important that Inland Revenue is able to collect child support assessments in a complete and timely manner.	80%	79%	80%
Minimum percentage of child support administrative review decisions issued within 10 weeks ¹² .	n/a	n/a	85%

MANAGEMENT OF DEBT AND OUTSTANDING RETURNS

This output expense provides services that contribute to the availability of revenue to fund government programmes. This involves all activities associated with collecting outstanding returns and overdue payments, and taking appropriate action, including providing people with assistance on the actions they need to take to meet their obligations. This includes collection on behalf of other agencies and external parties.

What is intended to be achieved

This appropriation is intended to increase funding available for government programmes through the collection of revenue owed. By using a tailored approach to our interventions, based on the PARE (Prevent, Assist, Recover and Enforce) model, we also encourage more customers to pay and file information on time in the future, through working with customers who have not met their obligations so that they file their outstanding returns, pay their existing debts, and do not get into debt in the future. This contributes to the impact of improving the behaviour of non-compliant customers.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Outstanding returns			
Quality and timeliness			
Maximum percentage growth in outstanding returns.	0%	-6%	0%
Minimum percentage of outstanding returns finalised within six months.	65%	65%	65%
Minimum percentage of outstanding employer monthly schedules finalised within three months.	85%	92%	85%
Cost			
Maximum average cost of finalising an outstanding return. In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$15.00	\$7.00	\$15.00
Overdue debt			
Quality and timeliness			
Maximum percentage of collectable debt value over two years old.	50%	56%	60%

¹² This year, the measure for administrative review decisions has been amended from “within seven weeks” to “within 10 weeks” to better reflect the required processing time. In 2013–14 the estimated result for decisions issued within seven weeks is 61% against a budget standard of 85%.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Minimum percentage of debt cases resolved within six months ¹³ . Early intervention to collect debt improves the ability of Inland Revenue to collect outstanding amounts due. This is combined with a continuing focus on managing aged debt.	n/a	n/a	80%
Minimum percentage of debt value resolved for those who did not have a debt at the start of the year. Successful management of customers who have not been in debt before will help to improve their compliance behaviour in the future.	65%	75%	65%
Cost			
Minimum cash collected for every debt dollar spent. In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.	\$40.00	\$40.00	\$40.00
Child support debt management			
Quality and timeliness			
Minimum percentage of New Zealand paying parent child support debt cases resolved within 12 months. Timely action to collect child support debt helps to ensure that custodial parents receive the amounts that they are due.	70%	73%	75%

SERVICES TO OTHER AGENCIES

This output expense provides support services to other government agencies, such as the provision of a hosted financial management information system and shared financial transactional services. Activities under this output expense support Better Public Services initiatives, including the minimisation of the ICT footprint within government and the sharing of existing resources where doing so could demonstrate good practice.

What is intended to be achieved

This appropriation is intended to provide support services to other government agencies, such as the provision of a hosted financial management information system and shared financial transactional services.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Services to other agencies			
Quality			
Minimum percentage of satisfaction of the Department of Internal Affairs for services provided.	n/a	95%	95%
Minimum percentage of satisfaction of the New Zealand Productivity Commission for services provided.	n/a	95%	95%

¹³ This year, the measure to resolve debt cases has been amended from within “three months” to “six months” to better reflect the collections process. This has enabled us to increase our target from 65% to 80%.

TAXPAYER AUDIT

This output expense provides services to ensure that the revenue base for funding government programmes is protected. This is achieved by verifying through audit activity that all taxpayer groups are meeting their obligations, specifically targeting risk areas, and taking appropriate enforcement action when obligations are not being met. It also includes managing tax litigation.

What is intended to be achieved

The purpose of this output expense is to achieve compliance with tax legislation. By targeting non-compliant customers, Inland Revenue will identify additional revenue and help to provide greater certainty to customers about their obligations. This will contribute to the impact of improving the behaviour of non-compliant customers.

Performance measures	2013–14 Target	2013–14 Estimated performance	2014–15 Target
Taxpayer audit			
Quality			
Minimum percentage of audit cases that are correct, complete, clear, and appropriately referenced.	85%	94%	90%
Minimum percentage of audited customers who are satisfied with their experience.	65%	70%	65%
Minimum percentage of customers confident that Inland Revenue takes appropriate action against those who do not comply.	75%	75%	75%
Delivery of a quality audit will help to secure a change in the behaviour of non-compliant customers.			
Minimum percentage of audits that result in a material discrepancy.	75%	78%	75%
Using a risk-based approach to audit selection helps us to target cases where a change in customer behaviour is required. This will also help identify discrepancies, and therefore the potential for additional revenue generation.			
Timeliness			
On average, we will complete audits within agreed timeframes:	Achieved	Achieved	Achieved
<ul style="list-style-type: none"> • 4 months for general audits • 12 months for risk-based audits • 16 months for evasion and fraud audits, and • 28 months for aggressive tax planning audits. 			
Minimum percentage of disputed cases completed within 15 months.	75%	80%	75%
Cost			
Minimum discrepancy identified for every output dollar spent.	\$7.70	\$7.70	\$7.00
In order to make the best use of resources it is important that Inland Revenue focuses on the cost of services provided.			
Litigation management			
Quality			
Minimum percentage of litigation judgments found in favour of the Commissioner.	66%	80%	66%

APPENDIX 2: ACTIVITY FORECASTS

The table below shows the expected demand for Inland Revenue's services and provides context for the targets we have set.

	2013–14 Forecast activity	2013–14 Estimated actual	2014–15 Forecast activity
Number of customer service contacts	4.700 – 5.200 million	6.180 million	5.700 – 6.300 million
Number of self-help service contacts	13.400 – 14.800 million	19.040 million	19.200 – 21.200 million
Number of tax and social policy registrations (excluding child support) received	680,000 – 750,000	730,000	690,000 – 765,000
Number of child support applications received	46,000 – 51,000	45,000	44,000 – 49,000
Number of applications for administrative review of child support assessments received	4,300 – 4,800	4,300	4,300 – 4,700
Number of returns received	8.400 – 9.300 million	8.821 million	8.100 – 8.900 million
Percentage of returns filed electronically	55%	59%	60%
Percentage of income tax returns filed electronically	84%	85%	86%
Percentage of GST returns filed electronically	50%	53%	55%
Number of payments received	8.100 – 9 million	8.812 million	8.400 – 9.300 million
Percentage of payments received electronically	75%	75%	75%

