



Statement of Intent

2016–20

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Foreword from the Minister of Revenue

I have taken over the Revenue portfolio at a time when significant changes are coming in and when tax has been a topical issue both at home and abroad.

Perhaps the biggest change New Zealanders will see is Inland Revenue's business transformation. The transformation programme is important for all New Zealanders. It is far more than just updating a computer system. Of all the changes that the programme will usher in, the most significant is a change in the philosophy behind how Inland Revenue conducts its business.

There is a much greater focus on customer service, enabled by greater use of information technology. This will see people having far greater control over their own tax affairs; filing tax returns and providing information online, meeting their tax obligations as part of normal business process rather than as a separate activity. It means that our tax administration would be designed around what suits the customer rather than the customer having to fit in with the tax administration.

The change in service delivery will allow Inland Revenue to have a growing focus on work of higher value to taxpayers—that is, putting more effort into proactive assistance to help people get it right from the start, rather than relying on later follow-up work.

There has been much concern internationally over the question of how much tax large multinational companies pay. The Organisation for Economic Co-operation and Development (OECD) has led a global response to the issue and produced an action plan which details key recommendations that governments around the world can use to strengthen their tax rules. New Zealand, like other countries, is now considering those recommendations and will act on them.

This is a major step forward. New Zealand has long had strong tax rules in this area, but the advent of the OECD changes will mean a hugely improved global environment where tax laws of different nations are generally of a higher standard, making it more difficult for tax avoidance and evasion.

Another topical issue of international concern is how to collect GST from the growing volume of online sales across borders. Recently, the Government passed a bill which will see intangibles, such as purchases of music provided to New Zealand residents by offshore suppliers, subject to GST from 1 October 2016. New Zealand is not alone in seeking to address the issue, and the proposals align with the OECD guidelines and similar rules that apply in other countries, including the European Union. The changes under the new legislation also align with Australia's proposed rules. For us, this is a very important first step towards addressing this complex issue.

As a big government department, Inland Revenue operating in a more efficient manner without compromising the quality of its services will help produce a better, smarter public service. The first steps are already in place, and when the programme is complete, New Zealand can expect far more integrated, customer-focused service delivery. Meanwhile the policy changes being made will help ensure that our tax system is increasingly fair. I look forward to being part of this evolution of our tax system.

Ministerial statement of responsibility

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



Hon Michael Woodhouse
Minister of Revenue

Introduction from the Commissioner and Chief Executive

The next five years are among the most important in Inland Revenue's history as we modernise the entire tax system to fit seamlessly into people's lives. As Commissioner I am proud to lead Inland Revenue's customer-centred change and support Better Public Services aims of putting customers at the centre of government services.

Transforming the tax system

From 2016 onwards we will see massive improvements in how customers work with Inland Revenue. We will make it easier for customers to get their tax and social policy entitlements right from the start, cut compliance costs, and provide the openness and certainty businesses want. We will do this by changing tax processes, policies and administration and implementing new digital technology.

Our planning over the last few years has included customer consultation, establishment of strong governance and management, and independent quality assurance. This gives me great confidence in our ability to deliver our complex Business Transformation programme. We now expect to complete our transformation sooner, and with less funding from government, than we initially planned.

Customers are already experiencing the benefits of change, such as saving time and effort by filing GST returns through their accounting software.

By 2021:

- customers will find it simple to manage their tax and entitlements digitally
- tax policy and legislation will be simplified
- tax and social policy payments will be lined up with people's lives
- new policy changes will be implemented quickly
- we will use our information to help customers get it right from the start
- improved sharing of intelligence and information across government will improve public services for New Zealanders
- compliance costs and effort for businesses will be reduced.

From 2017 we will begin transferring services to our new tax and social policy software. This will run alongside our existing system for some time until that system can be safely decommissioned.

Transforming Inland Revenue

Such massive change has big impacts for our people. The ongoing shift to digital means less need for current manual processes. As we work in new ways with customers, use information proactively and partner further with external agencies, our people will need a variety of different skills. Our structure will change to become more customer-centric and agile and will empower our people to make confident decisions. We will be a smaller organisation by 2021.

There are challenges ahead, but our leaders and staff will be well supported throughout change, and we will continue to work closely with unions and staff.

Delivering services and collecting revenue

It is essential that we maintain New Zealand's revenue base and deliver consistently great customer service as we transform. We will continue to work closely with other agencies to share information, support customers and deliver Better Public Services across government. We will be able to match services to people's needs so that social payments line up better with customers' lives. Digital tools will help more New Zealanders understand their entitlements and connect to services.

Our updated compliance approach and strategies for managing debt are starting to change customer behaviours and collect high levels of outstanding revenue, so more money is available to fund government programmes. We will continue to address international tax issues through reforming our own rules and in partnership with the OECD.

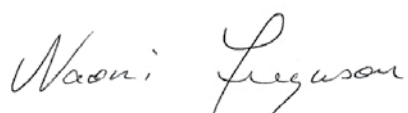
Future plans

Looking further ahead, we continue to develop insights about the opportunities and pressures that may shape Inland Revenue beyond 2021. Our corporate strategy gives us clear direction and allows us to adapt to future change. The strategy has six strands, which will guide us in planning, making essential shifts and managing risks, while we continue to head towards our goals. These strands cover our customers, our people, our place in a digital world, external collaboration, policy agility, and information and intelligence.

I am excited about the opportunities ahead for our customers and for Inland Revenue. While I do not underestimate future challenges, I am confident our people's skills and our extensive planning will mean successful delivery of our transformation programme and a simple and certain tax system for New Zealand.

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.



Naomi Ferguson

Chief Executive and Commissioner of Inland Revenue





PART 01

Who we are and what we do

Our mission and outcomes

Our mission is to contribute to the economic and social wellbeing of New Zealand by collecting and distributing money.

Our success is reflected in three outcomes:

- > 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.
- > New Zealanders benefit economically and socially through Inland Revenue working collaboratively across our external environment.

Our activities

Inland Revenue plays a critical role in improving the economic and social wellbeing of New Zealanders. We collect over 80% of the Crown's revenue. We also collect and distribute social support payments and provide the Government with policy advice.

We have large numbers of customers. For example, in 2014–15:



1.08 million

INDIVIDUALS FILED ANNUAL TAX RETURNS



196,000

EMPLOYERS FILED ABOUT 2.1 MILLION EMPLOYER MONTHLY SCHEDULES



ABOUT

392,000

COMPANIES FILED ANNUAL TAX RETURNS



ABOUT

631,000

REGISTERED GST CUSTOMERS FILED

3 million

GST RETURNS

We aim to make it as easy as possible for people to comply with the tax system and to receive their social policy entitlements. We are helping people to get things right from the start, focusing on supporting our customers upfront, before issues arise, rather than just responding to non-compliance when it happens.

The scope and scale of our activities

	2014–15
We collect revenue, with most coming from personal tax, company tax and GST.	\$59.7 billion of tax revenue collected
We jointly administer student loans with the Ministry of Education and the Ministry of Social Development (StudyLink). We collect repayments from student loan borrowers.	\$1.1 billion student loan repayments collected
We administer Working for Families jointly with the Ministry of Social Development. We distribute tax credit entitlements to support working families.	\$2.4 billion working for families tax credits paid
We collect contributions and transfer them to KiwiSaver scheme providers for investment.	\$4.8 billion KiwiSaver contributions distributed to scheme providers
We collect child support payments from liable parents and distribute these payments to carers.	\$265 million child support payments distributed to carers
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.	\$180 million paid parental leave payments distributed to parents

Our organisational structure

Inland Revenue is currently structured into nine business groups. We work collaboratively across these business groups, sharing our information with one another and combining our skills and knowledge to maximise our effectiveness.

- **Change** provides professional services to enable the delivery of the tax system¹ for the twenty-first century. This includes leading the Business Transformation programme, which is working with all parts of the department to completely transform the way we interact with customers.
- **Corporate Integrity and Assurance** provides us with independent advice, support and assurance, making sure we are doing the right things the right way.
- **Information, Intelligence and Communications** helps us to keep customers' behaviour and needs in mind as we transform, and it uses data and intelligence to help us understand and influence customer behaviour.
- **The Office of the Chief Tax Counsel** provides technical advice about the interpretation and application of tax law to Inland Revenue and to our customers.
- **People and Culture** enables us to lift organisational performance through our people.
- **Performance, Facilities and Finance** provides facilities for our people, business performance analytics, financial and planning advice, and analysis. It also manages our Crown accounting and reporting obligations.
- **Policy and Strategy** provides tax and social policy advice to the Government, with the Treasury, and leads the development of our strategy.
- **Service Delivery** delivers today's business while designing for tomorrow and ensuring the best outcome for our customers. Its people work with customers to make compliance easy and give New Zealanders confidence that everyone pays and receives the right amount.
- **Technology, Strategy and Operations** develops, delivers, improves and supports our ICT systems.

Our operating environment

Setting our strategic direction requires us to understand our operating environment and explore how it could change in the future. We are continually evaluating our environment to identify existing and emerging trends, risks and opportunities. This allows us to be ready to respond, ensuring sustainable and successful delivery of our services and the achievement of our vision and mission.

Historically, the New Zealand public-sector operating environment has been relatively uniform and stable, with clear boundaries. However, the last few decades have seen global drivers of change affecting New Zealand in unprecedented ways. We recognise that our world is now characterised by diversity, volatility and permeability, and that new times require new responses. We must continue to maintain the integrity of the tax system as New Zealand's population becomes more diverse, digitally connected, and mobile.

Like all developed countries, New Zealand needs to respond to domestic and international threats to our revenue from tax avoidance and evasion, as well as wider change drivers such as technology-driven change and volatility in the global economy.

New Zealand's population is changing, with increasing numbers of migrants who have different service needs. Our ageing population will also have economic costs and will affect potential revenue. We are working to understand these changes and develop the capabilities, skills and organisational culture required to meet customer needs.

We will continue working to:

- build our capability to identify and assess emerging trends
- challenge our assumptions about the future and apply insights about possible future scenarios to make better decisions today
- build agility within Inland Revenue, including speed and ability to shift resources
- make better connections between our futures thinking, decision-making, planning, policy design and implementation, and risk-assessment processes
- rethink how we collaborate with other government agencies, the private sector, customers and stakeholders.

PART 02

What we intend to achieve

Our vision

Our vision is to be a world-class revenue organisation recognised for service and excellence.

As a world-class revenue organisation we will deliver our outcomes and live our culture and values.

Our strategic objectives

We will focus our activity and investment on our three strategic objectives, which are to:

- grow voluntary compliance by making it easier for people to get it right
- reduce customer compliance costs
- make government policy changes faster and more cost-effectively.

Our impacts

Our impact statements outline what we intend to achieve with our resources:

- customers have easy access to our services
- customer effort is reduced over time
- customers get it right from the start
- we use information and insight to improve potential future revenue
- our business is run efficiently and effectively
- the policy change process is of high quality, fast and cost-effective
- we collaborate with other agencies and the private sector both domestically and internationally to create cost and/or productivity savings
- our workforce is highly skilled, motivated and diverse.

Government priorities

A well-functioning tax system helps the Government to achieve its fiscal, economic and social objectives.



Our tax policy work and compliance work help develop a more productive and competitive economy.

The Government tax policy work programme covers three broad areas:

- Inland Revenue's Business Transformation programme, including Better Public Services
- 'Base erosion and profit shifting' and international tax reform
- further improvements and enhancements to tax and social policy within the broad-base, low-rate (BBLR) policy framework.

Read more at www.taxpolicy.ird.govt.nz/work-programme.

We will continue to contribute in many ways to delivering the Government's priorities, which are to:

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

Our Business Transformation will significantly contribute to the Government's objectives for a healthy, growing economy and more integrated public services. It will help us to realise savings internally and ensure businesses spend less time on tax and more time on running their business.

The Canterbury rebuild remains a priority for Government and a focus for Inland Revenue. As recovery moves to regeneration, we continue to work on improving compliance, ensuring customers get it right from the start. We are providing a range of proactive services to the Canterbury community and monitoring risk areas.



PART 03

How we are going to get there

Our corporate strategy

Our corporate strategy will help us to achieve our strategic objectives, mitigate our risks and meet Government expectations. The six strands of the strategy, below, are supported by a range of functional strategies that contain more detail on planned business activity.



Customer: Putting the customer at the centre of everything we do

- We anticipate and proactively support key events in our customers' lives at the right time.
- We use customer insights to inform activities.
- Our services are seamless, and tax and social policy are integrated into customers' lives.
- We partner with others to deliver service excellence to customers—from policy design, to education, to audit.
- We make it easy for customers to get it right, and we reduce compliance costs and effort.



People: Working as part of Inland Revenue is unique, exciting, fulfilling, and career-enhancing

- We value individuals and diversity of thought and capability.
- We find, develop, and deploy people on the basis of their capabilities, which are a mix of skills, knowledge, experience, and attitudes.
- We design roles to be adaptable, interesting, and empowering.
- We recognise and measure performance through behaviours and individual and team contribution to outcomes.
- We work with other organisations to develop fulfilling career journeys in, through, and beyond Inland Revenue.



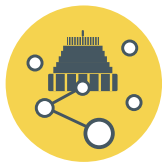
Digital: We fully embrace our place in the digitally connected world

- As part of the digital world, we make it easy to collaborate with customers, agencies and others.
- Our culture and flexible systems mean we design and make changes quickly.
- Our customers can easily access secure digital services anywhere, any time.
- We use the digital environment to help generate actionable insights.
- We encourage, empower, and upskill our people to make best use of digital ways of working.
- We strategically manage digital opportunities and disruptions.



External collaboration: We work with external parties to innovate, gain insight, and achieve wider government economic and social outcomes

- We will build internal capability as part of our capability uplift, which also supports external collaboration.
- We co-create efficient and effective services, adapting our business model where appropriate.
- Collectively we leverage our information assets and expertise to create mutual benefits.
- We share information and resources using appropriate safeguards.



Policy agility: Policy change is faster, cheaper, and better—fit for a changing world

- Our policy design is proactive, coherent and integrated, from idea generation and advice through to implementation.
- We implement policy decisions speedily and smoothly.
- We deliver high-quality advice that is future focused, realistic about the impacts, and based on good information and analysis.
- We are a trusted and credible voice that shapes and delivers government and system outcomes.
- We use innovative, flexible and creative practices to design policy, supported by strong economic frameworks and broad consultation.



Information and intelligence: Our decisions and actions—for delivering today and shaping our future—are intelligence-led

- We understand information we collect and the insight and intelligence we generate through the knowledge and experiences of our people is a strategic asset that needs to be managed and shared appropriately.
- We use information and insights to create actionable intelligence.
- Intelligence drives our strategic and tactical decision-making, including knowing where and when to direct resources to realise value for customers, Inland Revenue, and the Government.

Our Business Transformation

To deliver on our objectives and vision for a modern tax system, we have embarked on a major change programme. Our multi-year, multi-stage Business Transformation programme will re-shape the way the department serves New Zealanders. Simple, certain and open customer-centred services will be designed and delivered in partnership with others inside and outside government.

The overall result will be a modern, digital tax system that will serve the needs of all New Zealanders and fit seamlessly into their lives. It will also be a system that keeps pace with change, protecting the Government’s ability to keep providing services.

Investment objectives and transformation roadmap

In April 2013 the Government agreed our case for change, our four-stage transformation roadmap, and the programme’s investment objectives:

- Improve agility so that policy changes can be made in a timely and cost-effective manner.
- Deliver new and more effective services to improve customer compliance and help support the outcomes of social policies.
- Improve productivity and reduce the cost of providing our services.
- Improve the customer experience by making it easier and simpler for our taxation and social policy customers, with a particular focus on enhanced digital provision of services.
- Increase the secure sharing of intelligence and information to improve delivery of services to New Zealanders and improve public sector performance.
- Minimise the risk of protracted system outages and intermittent systems failure.

Cabinet approved an updated version of the transformation roadmap in November 2015. The new version (summarised in the table below) shows an earlier completion date than originally projected.



Delivering our future tax system will require us to:

- simplify policy and legislative settings
- make more intelligent use of information to ensure customers get it right from the start
- fit revenue processes seamlessly into people’s lives and enable them to self-manage with speed and certainty
- become more agile, effective and efficient
- implement a modern technology platform that is digitally based and highly automated.

2016–2017	2017–2019	2018–2020	2019–2021
<p>STAGE 1, Enable secure digital services, will allow the majority of customers to self-manage and reduce businesses’ compliance burden in fulfilling their GST obligations, significantly contributing to Better Public Services Result 9 and the Business Growth Agenda.</p>	<p>STAGE 2, Streamline income and business tax, will build on the foundations delivered in the previous stage and further reduce the compliance burden that businesses face.</p>	<p>STAGE 3, Streamline social policy, will improve the delivery of the social policies that Inland Revenue administers.</p>	<p>STAGE 4, Complete delivery, will include transitioning any remaining taxes and social policies to a new platform and decommissioning technology platforms that are no longer required.</p>

Delivery

Delivering a modern tax system is a complex and large-scale task that requires much more than replacing technology.

From 2016 to 2021 the programme will deliver on investment objectives by continuing to encourage people to use digital services; partnering with government and business to deliver services that fit seamlessly into our customers' lives and existing business processes; and making things easier for our customers through better use of information and analytics. We will also be implementing the systems that enable us to deliver these changes.

A key part of our work will be providing advice to the Government to make it as simple as possible for New Zealanders to pay what they owe and receive what they are entitled to.

The Government's Making Tax Simpler policy consultation was launched in 2015 and has so far released four discussion documents, covering the future of tax administration, digital services, PAYE and GST administration, and the Tax Administration Act. More policy consultations are planned.

In April 2016, the Government made a pre-Budget announcement of 16 new tax initiatives aimed at reducing compliance effort for businesses. The announcement was followed by an officials' issues paper released by Inland Revenue and the Treasury.

We will be engaging customers in proposed changes to the tax system, as customer input will support better-informed decisions. Engagement and communication with customers will also help to ensure that changes are understood and supported, and that the impacts on customers are minimised wherever possible.

Stage 1: Enable secure digital services

We began Stage 1 of our transformation programme in January 2016. This focuses on implementing GST on our new commercial-off-the-shelf software.

The new software, which we are calling START (Simplified Tax and Revenue Technology), forms the core of the future system and has been specifically designed for tax administration. We have already started working with the software supplier, FAST Enterprises, to configure the system for our needs.

START will give us a single view of the customer—accounts, history, connections, feedback and more—in close to real-time. This will help ensure customers get the information and help they need when they need it. The system will also be more agile, enabling us to implement Government policy changes faster and more efficiently.

We chose GST to implement first because it is a relatively simple tax that has enough scale to provide us with experience as well as deliver significant customer benefits. The new GST system is planned to go live to customers in mid-2017.

As part of Stage 1, we will also be putting in place our supporting technological infrastructure. This includes new data centres, networks, identity and access management, and security management systems. At the same time, we will be making the organisational design changes needed to support Stage 1 and setting up the systems and processes to support organisational change for the duration of the programme.

Stage 2: Streamline income and business tax

Preparations for Stage 2 of the programme, streamline income and business tax, will begin in 2016, starting with verifying scope and confirming the high-level and detailed design.

At the end of Stage 2, in 2019, all tax products will be implemented on START, and the way customers interact with the tax system will have significantly changed. We will have less tax-related processing and fewer customer contacts, and we will provide help and advice to customers based on their needs and circumstances. The amount of time customers spend on meeting their tax obligations will have significantly reduced, as will the cost of providing our services.

Making sure we get it right

Over the past two years, we have laid the groundwork that will enable successful delivery of our transformation programme. This includes building strong governance systems and bringing together a team of skilled people with experience in delivering complex change programmes. With these elements in place, we have entered the solution delivery phase of Stage 1 well prepared.

The people of New Zealand, and their elected representatives, are putting their trust and confidence in us to deliver this significant and extensive programme of change. We will keep providing timely, high-quality information so that people can understand what we are doing, keep track of our progress, and participate.

Detailed, up-to-date information can be found on our website at www.ird.govt.nz/transformation/. This site provides key programme documentation, including independent reviews of the programme, and the business cases provided to Cabinet to support their decisions.

Making it easier for customers



Our new compliance model supports our shift to more proactive facilitation. Our previous model focused on customers' attitudes towards compliance. The new model broadens our focus to customers' motivation, capability and opportunity to comply.

CAPABILITY is how well customers can meet their obligations and access their entitlements. It includes their knowledge of rules that apply to them, their access to tools and assistance, and their ability to understand.

MOTIVATION is about the factors that create the willingness to comply and then actually follow through and do it. Motivation includes both social and personal norms.

OPPORTUNITY is about how easy it is for a customer to comply or not to comply with their obligations or access their entitlements.

Helping people to get it right from the start

We are making it easier for people to get it right, focusing on supporting our customers upfront, before issues arise, rather than focusing on responding to non-compliance after it happens. Our 'right from the start' approach involves putting our customers at the centre of everything we do and developing a greater understanding of their lives, needs, perspectives and behaviours.

Providing digital services

People expect to receive and provide information online, at any time and from any place. More and more of our customers are going online to access their details, file their returns and make their payments. We will continue to:

- improve our website, our online services and our other digital tools to meet customers' expectations and save them time and money
- promote our online services
- use online media to inform people about their obligations and entitlements and help them understand what they need to do
- encourage people to share their views through online consultations.

Enabling digital tax submissions

As part of our Business Transformation programme, we have been working with providers of accounting software, looking at allowing customers to file their returns with us directly through that software. Such digital tax submissions will reduce the time that businesses spend double-handling accounts information, reduce errors, and fit tax compliance into businesses' everyday administration functions.

After a successful trial in late 2015, we implemented a new service that allows MYOB and Xero customers to file their GST returns from their accounting software directly to us. Customer feedback indicates that the new process is saving them time and reducing errors. The specifications for enabling online filing have been made available to all accounting software providers. We will roll this functionality out for income tax and PAYE filing as part of our future Business Transformation stages.

Protecting New Zealand's revenue

The majority of our customers file and pay on time. However, we recognise that there are many circumstances that can affect people's abilities to meet their tax obligations. We work with people to understand what is causing their compliance problems and help them get back on track.

A small number of people deliberately avoid paying their fair share of tax. The people of New Zealand can have confidence that we take appropriate and effective action in such cases. In the most severe cases, we take legal action.



Our debt strategy sets out our long-term goals for debt:

- minimise what becomes debt
- maximise what is collected
- deal appropriately with what cannot be collected.

Dealing with debt and unfiled returns

We want people to pay and file on time to prevent them getting into debt and being charged penalties and interest. The better we understand our customers' lives and businesses, the better we can provide support at the right time.

To help our customers avoid debt, we contact them by text, email or letter before key dates to remind them they need to file and pay. If customers do get into debt or fail to keep up instalments, we intervene quickly to get them back on track.

We are running campaigns to improve the collection of older debt and outstanding returns, following up with case management for people who do not respond to initial contact. We will continue to select cases in which there is a good chance that we will be able to arrange payment and choose the best action to take to achieve that payment. Through this approach, we have been exceeding our cash collection targets, with high rates of return.

We sometimes write off debt if collecting it would cost more than the debt itself.

Collecting overdue student loan and child support debt

The overdue debt of overseas-based student loan borrowers remains high, at over 90% of total overdue student loan debt. Our initiative to target overseas-based borrowers who are not paying what they owe has consistently achieved above-target returns on investment. We focus on encouraging overseas-based borrowers to get in touch with us and pay their student loans, and we remind people about payment dates.

We will be accelerating our good progress on resolving child support debt. We contact customers who have got into debt as early as possible, so that we can get them back on track before non-payment becomes entrenched.

About two-thirds of overseas-based parents who are not making their child support payments live in Australia. The Australian Department of Human Services continues to successfully get payments from these people on our behalf, and we are also starting to take legal recovery action directly from New Zealand.

Ensuring compliance and dealing with non-compliance

We are constantly reviewing compliance risk areas, looking for opportunities to reduce non-compliance and to apply international best practice. People and businesses that operate outside the tax and social policy systems undermine the integrity of those systems.

Our activities to address areas of non-compliance range from investigating customers' tax affairs through to providing certainty on the tax implications of specific transactions before a customer takes a tax position.



Our tax policy work programme includes:

- reforming rules for the taxation of cross-border flows of income from investment
- international cooperation, including engaging with international tax agencies and developing countries and continuing to work with the OECD and the G20 forum of countries on implementing the BEPS Action Plan, including an automatic exchange of financial account information to counter tax evasion.

We expect to continue achieving good results from this investigations and advice work. Specific areas of focus include 'hidden economy' activity in a range of at-risk industries, non-compliance in the property sector, tax avoidance arrangements, and ensuring the correct interpretation of tax law in complex tax issues.

We continue to strengthen the integrity of the tax system through successful litigation, reducing the number of non-compliers and giving people more certainty about the application of the law.

Addressing international tax issues

We need to ensure New Zealand is an attractive place in which to do business and invest, and we also need to strengthen tax rules to ensure overseas companies pay their share of tax in New Zealand.

The increasing complexity of global business requires us to be actively involved in international solutions to protect revenue. We are participating in the response led by the OECD to the problem of 'base erosion and profit shifting' (BEPS). This is a global issue involving multinational organisations taking advantage of the interaction between the tax rules of different countries to pay little or no tax, so the response needs to be global too.

We are also spending more time discussing tax matters with large corporates, many of which are international, so that we are able to resolve complex issues quickly and cooperatively. This is reflected in the increase in advance pricing agreements, which are ahead-of-time agreements with our customers on the prices set for the transfer of goods, services and intangibles between associated parties. We will continue to look for such opportunities.

Collaborating

One of our outcomes is that New Zealanders benefit economically and socially through Inland Revenue working collaboratively across our external environment. The external collaboration strand of our corporate strategy will guide us in working with others inside and outside of government.



Through sharing information, we are contributing to Better Public Services Result 1:

Reduce the number of people who have been on a working age benefit for more than 12 months.

We are a partner agency in delivering:

Result 7: Reduce the rates of total crime, violent crime, and youth crime

Result 9: Business gains value from easy and seamless dealings with government

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

Contributing to Better Public Services

To achieve the Government's Better Public Services results, the public sector continues to find better ways of working together. We know that a connected, collaborative public sector can better serve New Zealanders' needs.

Our Business Transformation programme is our best vehicle to deliver on the outcomes sought through Better Public Services, as it will significantly reduce effort for New Zealanders and businesses, making it much easier to deal with government.

We will continue to:

- identify opportunities to modernise the legislation we administer to support the sharing of information across government (Results 1, 7, 9 and 10)
- contribute to the Gang Intelligence Centre (Result 7)
- find ways to make it easier and simpler for businesses to interact with us and meet their tax obligations (Result 9)
- collaborate with other agencies, primarily the Ministry of Business, Innovation and Employment and the Accident Compensation Corporation, on implementation of the New Zealand Business Number (Result 9)
- work across agencies to design services around people's life events, such as the birth of a child (Result 10).

Sharing information

Information is increasingly recognised as an asset. Sharing information across government agencies supports collective outcomes for New Zealand and helps agencies to deliver services with improved quality, speed and accuracy. Collaboration will mean that customers only need to provide government with their information once, and government is better able to achieve cross-agency outcomes.

We will gather and share the right information, at the right time, and in the right way. Our challenge is to balance the benefits of sharing against the need to protect customer privacy, commercial interests, and the integrity of the tax system. Our dedicated information-sharing hub, established in 2015, will ensure the effectiveness of our processes for managing secure and reliable information sharing.



We currently share nine sites with other government agencies, which enables collaboration and sharing of assets and service contracts. We will keep taking advantage of site-sharing opportunities as they arise.

Sharing sites and services

When government departments take a coordinated approach to investment and shared infrastructure, we can find new ways of collaborating and achieve economies of scale.

We will continue to engage in procurement activity across government, taking up appropriate all-of-government contracts. We will also continue to participate in cross-agency procurement advisory groups.

The Business Transformation programme will adopt suitable common capabilities where these are available, support the delivery of our business outcomes and are cost-effective.

The new all-of-government banking services solution provides opportunities for innovation. We will be working with our selected banking providers and with other government agencies to develop innovative customer-focused solutions that will be implemented as part of our Business Transformation programme.

Government ICT Strategy

The Government ICT Strategy, which was reviewed in 2015, provides new opportunities to support Better Public Services and agency transformation agendas by putting people and businesses at the centre of design and delivery of digital services. The strategy has five key focus areas: Digital Service, Information, Technology, Investment and Leadership. These focus areas are managed through the ICT Partnership Framework, with Inland Revenue being a member of the four working groups as well as the strategic leadership group.

In line with the Government's ICT Strategy, we will use common capabilities and shared services where they are available and fit for purpose. We are currently implementing 'infrastructure as a service' and 'telecommunications as a service' solutions as part of Stage 1 of our Business Transformation programme.

We will be simplifying the management and control of agency data connections to enable more effective information sharing between government agencies and with third parties.

Our people

Our values and culture

Our values describe the kind of organisation we aim to be and what is important to us in how we work. They guide how we interact with each other, with our customers, and with our stakeholders and partners. Our values are:

- trust and integrity
- valuing people
- innovating to make a difference
- working together.

Our three cultural anchors shape our behaviours and ways of work:

- Customer-centric: Together we understand the many influences on each customer, and decide how we will work with them to get the best outcomes for New Zealand.
- Intelligence-led: We are confident we make good decisions based on quality information and analysis. We continually test and learn to know what the best approaches will be.
- Agile: We work at pace, pulling together the right people to make good decisions quickly, focusing on the things that matter most.

Our changing organisation

Inland Revenue in the future will be a more efficient organisation. Our workforce will be more knowledge-based and have greater analytical capability. We also expect that by the end of 2021, we will be 25–30% smaller.

Over the coming years almost all of our people will feel the impacts of our Business Transformation, and we are working to ensure our people are supported through change. We have set up a transition hub to coordinate change management, supporting people to adjust, re-skill, up-skill or find new opportunities outside Inland Revenue. We are also continuing to work with unions throughout this time of change.

The people strand of our corporate strategy (see page 16) will guide us and help us ensure that working as part of Inland Revenue is unique, exciting, fulfilling and career enhancing.

We need to ensure that our people have the right mix of skills, knowledge, experience and attitudes to support Inland Revenue through our transformation and beyond. Leaders who can implement change while delivering day-to-day results will be critical to the success of transformation.

We have identified a number of other key capabilities that we will prioritise. For example, we will need people who can:

- design and plan change
- effectively use data and information to develop insights for high-quality decision-making
- operate comfortably in a digital environment and support customers to do the same.

Diversity and equal employment opportunities

Inland Revenue is looking for ways to better understand and respond to the diversity of our people, customers and stakeholders. We are developing an organisational approach to managing diversity and inclusion, which includes establishing a diversity and inclusion reference group and champion to provide advice and guidance.

We gather information about our diverse customers and their needs directly from those customers, through our research, and with the help of our own diverse workforce. We will be looking for ways to access our people's knowledge of the communities that they are part of or interact with. This knowledge will help us to design and deliver the right services and products for our customers' needs and to approach compliance issues in tailored ways.

Inland Revenue is committed to ensuring that a diversity of views is represented at every level of the organisation. We include information in our selection training to support managers in their understanding of, and response to, potential personal bias in selection processes. We also have leadership and talent management frameworks supporting the development of our people into and through our different leadership levels.

In 2015, 63% of participants in our leadership development programmes were women, and our women's network also provides support and coaching for the development of our women as current and future leaders.

Our gender profile is as follows:

- Staff overall: 64% women
- People leaders: 56% women
- Managers: 46% women.

Becoming more efficient and effective

The Government has prioritised building a more competitive and productive economy and delivering better public services within tight fiscal constraints. With these priorities in mind, we are continually looking for ways to become more efficient and effective.

Becoming intelligence-led

We are improving the way that we use, manage and analyse information and develop intelligence from customer data. This will help us to understand our customers better, make evidence-based management and policy decisions, and use our resources more effectively.

This approach will help us to more efficiently and effectively identify compliance and non-compliance, select the best activities to support compliance, and engage with customers before issues arise.

Building a culture of continuous improvement

In a continuous improvement environment, teams continually identify, test and implement improvement ideas. We are building a culture of continuous improvement to help us maintain and improve our performance for customers, create capacity to implement our transformation, and improve our internal support services.

Developing our people capability and culture is our main goal, but our approach also includes key process improvements that will have a significant impact for us and for our customers.

Managing our property

We are reducing property costs by ensuring that we make the best use of existing space and by seeking flexibility in leases so that we can easily reduce office space to suit our changing needs.

We are contributing towards and supporting the Government's property functional lead—the Government Property Group—to establish best property-management practice for office accommodation across the public sector.

Reviewing our procurement and commercial activity

We are reviewing our procurement and commercial activity to achieve better governance and oversight and enhance our capabilities. We need to ensure we have the right skills as we move towards working more with third parties. We have begun by engaging people experienced in managing complex, multi-vendor environments to support the commercial arrangements needed for transformation.

To make it easier for small businesses to engage with Inland Revenue, we have developed a supplier panel covering a number of the professional services that we are likely to need repeatedly. This panel is open and allows suppliers to register their interest at any time.

Our risk management

Our Business Transformation work over the coming years will be substantial, requiring a significant financial commitment and specialist resources, and placing constraints on our capacity and capability. As we transform, we need to continue meeting the expectations of our customers, our stakeholders, and the Government. To help us meet these challenges, we have been developing a strategic approach to risk management.



Our Risk and Assurance Committee, which is made up entirely of external members, will continue to provide independent oversight of our risk management practices.

We will monitor and report on seven strategic risks so that we can ensure delivery of our strategic objectives and transformational goals. These risks concern:

- access to the right systems and people capability and capacity
- disruption through the speed of (transformational) change
- disruption through the scale of (transformational) change
- soundness of fiscal position
- decline in trust and confidence
- resilience of the delivery network
- effectiveness of strategic alliances

Our corporate strategy discussed on pages 16–17 will support the mitigation of these strategic risks. Risks will be tracked and reported on to enable our leaders' risk-based thinking, discussion and decision-making.



PART 04

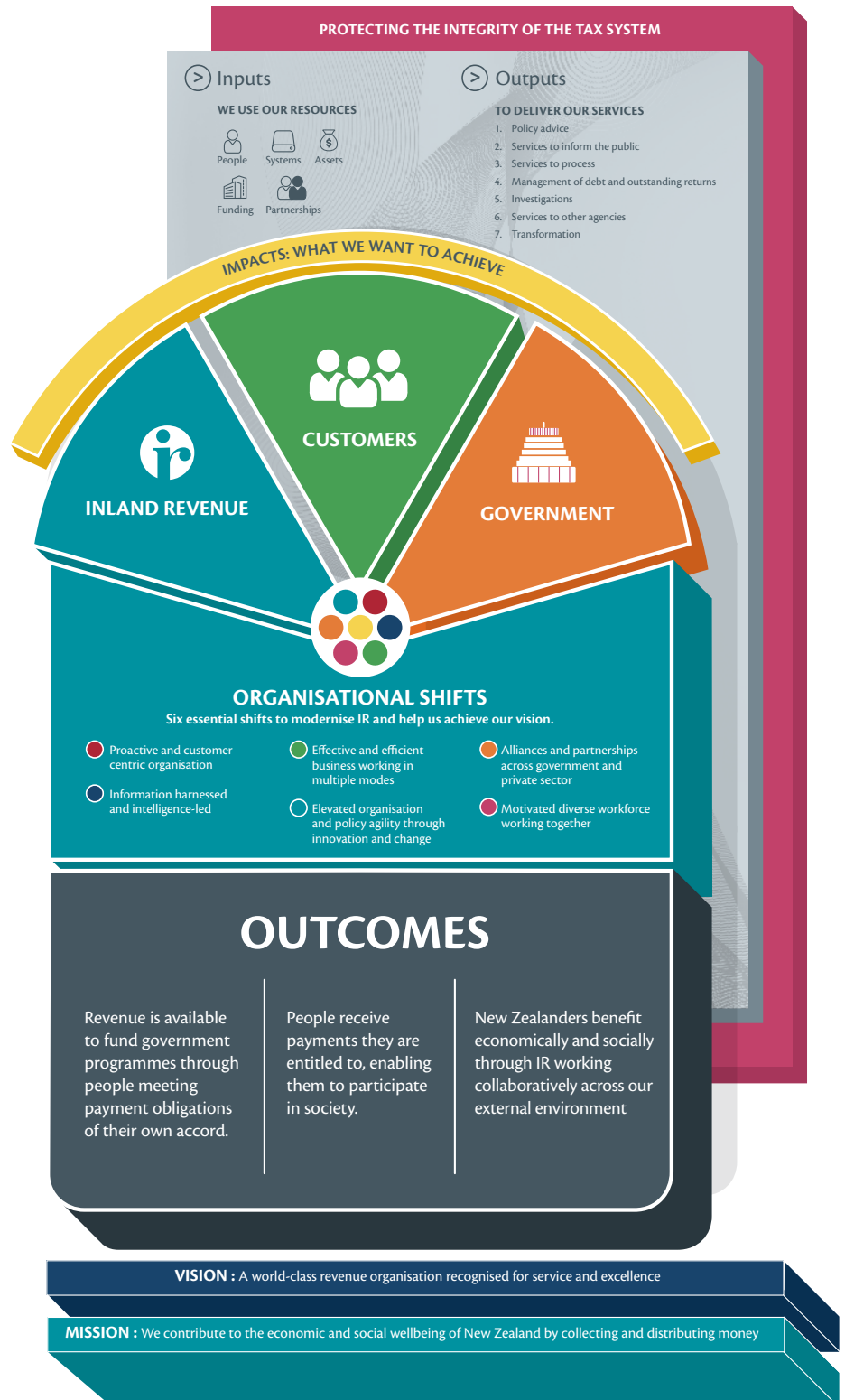
Measuring our performance

Our Performance Measurement Framework

We have recently updated our Performance Measurement Framework and reviewed our performance measures, in line with the 2013 amendments to the Public Finance Act 1989. This Act requires agencies to assess and describe their performance with a focus on what is most useful and meaningful for external reporting.

Our new Performance Measurement Framework 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. It reflects a shift in focus from the activities we do to the outcomes and impacts we want to achieve. It also reflects Inland Revenue's transformation over the next few years, which will have implications for how we measure and report performance.

We are a complex organisation, and the relationships between our resources, activities, outputs and impacts are not always linear. Our framework demonstrates the connection between what we are aiming to achieve, what we are doing to achieve this, and how we are working toward wider outcomes.



Our performance measures

Our Performance Measurement Framework includes the impacts we want to make over the next four years and the outcomes we want to achieve. The development of our performance measures is an iterative process that will continue over the coming years. Our measures for 2016–17 are outlined on the following pages.

Impact measures

Our impact measures align with the six organisational shifts required to help Inland Revenue become a world-class revenue agency recognised for service and excellence.

These six organisational shifts are:



proactive and customer-centric organisation



information-harnessed and intelligence-led



effective and efficient business working in multiple modes



elevated organisation and policy agility through innovation and change



alliances and partnerships across government and private sector



motivated and diverse workforce working together.



Customers have easy access to our services

Name

% of customers satisfied with Inland Revenue's overall accessibility and convenience

Description

The percentage is derived from Inland Revenue's Customer Satisfaction and Perceptions survey. This is a composite measure covering responses to questions relating to the following:

- ability to contact Inland Revenue in a way I wanted
- convenient contact time
- satisfied with time taken to answer phone
- service easy to access
- satisfied with amount of time it took to get or do what I wanted
- knew I could contact Inland Revenue for help.

 **Customer effort is reduced over time**

Name	Description
% of customers who find it easy to comply	The percentage is derived from Inland Revenue's Customer Satisfaction and Perceptions survey. This is a composite measure covering responses to questions relating to the following: <ul style="list-style-type: none">• customer can easily access Inland Revenue• systems, processes, procedures effective and efficient• Inland Revenue makes it easy to get it right• easy to use (online)• accessibility and convenience (overall).
Average customer time spent on tax compliance	Customer hours spent on tax annually. This covers the following customer segments (two surveyed per year): <ul style="list-style-type: none">• small to medium enterprises (Year 1)• large enterprises (Year 1)• not-for-profits (Year 2)• individual income tax (Year 2).

 **Customers get it right from the start**

Name	Description
% of customers who perceive that Inland Revenue makes it easy to get it right	The percentage is derived from Inland Revenue's Customer Satisfaction and Perceptions survey.
Case study	Case study regarding customers who are filing GST directly through their software packages.

 **We use information and insight to improve potential future revenue**

Name	Description
Return on investment of targeted interventions	Case study or studies highlighting return on investment of targeted campaigns.

 **Our business is run efficiently and effectively**

Name	Description
Expenditure incurred against departmental appropriations	Total expenses plus capital expenditure incurred against departmental appropriations.
Overall Investor Confidence Rating	The Investor Confidence Rating (ICR) is a rating given by Treasury of investment management performance, reflecting confidence in an agency's capacity and capability to realise a promised investment result if funding were committed.
System availability	Availability of our core systems (eChannel, FIRST, Voice, Back Office).

 **The policy change process is of high quality, fast and cost-effective**

Name	Description
<i>Measures to be developed</i>	<p>Measures to be developed in 2016–17. These are likely to include the following four elements:</p> <ul style="list-style-type: none"> • quality • cost • timeliness • ministerial satisfaction.

 **We collaborate with other agencies and the private sector both domestically and internationally to create cost and/or productivity savings**

Name	Description
<i>Measure to be developed</i>	Outcomes of information sharing. The intent is to show the impact of sharing increased flows of secure information between agencies to improve outcomes.

 **Our workforce is highly skilled, motivated and diverse**

Name	Description
<i>Measure to be developed</i>	Workforce capability measure to be developed. High individual performance would be the outcome of effectively matching individuals to roles based on required capabilities, and motivating and empowering people to perform towards a common goal for Inland Revenue.
% staff engagement	The overall engagement score from Inland Revenue's staff survey on engagement and culture, conducted by an external provider.

Outcome measures

Our outcome measures align directly with our three organisational outcomes.

Revenue is available to fund government programmes through people meeting payment obligations of their own accord

Name	Description
Distribution of total system revenue	Revenue collected separated into three categories and shown as percentages: <ul style="list-style-type: none">• System assured revenue (third party assured tax)/total revenue• Self-assessed revenue (all other non-intervention revenue)/total revenue• Intervention revenue (revenue collected through activities such as debt collection, audit and litigation)/total revenue.
% of assessed revenue paid on time	The percentage of assessed revenue paid on time (includes partial payment)

People receive payments they are entitled to, enabling them to participate in society

Name	Description
% of tax refunds paid to customers which are both accurate and on time	The percentage of tax refunds paid to customers which are both accurate and on time is reported for two segments: <ul style="list-style-type: none">• % of income tax refunds that we pay accurately and on time• % of GST refunds that we pay accurately and on time.
% of social policy customers receiving payments which are both accurate and on time	The percentage of social policy customers receiving payments which are both accurate and on time is reported for three segments: <ul style="list-style-type: none">• working for families tax credits• child support• paid parental leave payments.

New Zealanders benefit economically and socially through Inland Revenue working collaboratively across our external environment

Name	Description
% of tax refunds paid to customers which are both accurate and on time	Using case studies of particular services, which are designed around the life events of our customers and delivered in conjunction with other parties, to improve ease of access to Inland Revenue's services.
Better Public Services Result 9 – Reduced cost to business in dealing with government	<i>Currently under development within Result 9 programme.</i>

Protecting the integrity of the tax system

Underpinning the Performance Measurement Framework is our commitment to protecting the integrity of the tax system. We have two integrity measures for 2016–17.

We protect the integrity of the tax system, and our stakeholders and the public have trust and confidence in us

Name	Description
% of customers who have trust and confidence in Inland Revenue	<p>The percentage is derived from Inland Revenue’s Customer Satisfaction and Perceptions survey. This is a composite measure covering responses to questions relating to the following:</p> <ul style="list-style-type: none"> • trust in Inland Revenue • confidence that Inland Revenue does a good job • confidence that Inland Revenue takes appropriate action against those who do not comply.
Public Sector Reputation index (RepZ) score	<p>This is Inland Revenue’s score from the annual Colmar Brunton report on public-sector reputation. The Index benchmarks 31 national public-sector organisations against the four pillars of reputation—leadership and success; social responsibility; trust; and fairness—with each entity’s reputation indexed against the others.</p>

Output measures

To ensure we remain on track to achieve our impact targets, we have a set of output measures to track our operational performance each year. We use performance measures and targets to report on how well we deliver tax and social policy services to our customers. For 2016–17, we have 46 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
- Investigations
- Services to other agencies.

Our output measures and targets are available in the Vote Revenue Estimates of Appropriations document on the Treasury’s website.

Reviewing our measures and targets

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 stakeholders, including Audit New Zealand. Work will continue through 2016–17 on developing a set of future measures for implementation in 2017–18.

Measuring implementation of our Business Transformation programme

We will submit Business Transformation updates to Cabinet twice a year—an interim progress update in July and an annual update in December, including updated costs and benefits and any material changes.

We have six milestone measures for 2016–17.

Target	Milestone
By 30 April 2017	<ul style="list-style-type: none">• GST end-to-end processes implemented in the new computer system (START)• Deliver new functionality to allow customers (or their agents) to self-manage their GST obligations• Enable immigrants to digitally register for an IRD number when they apply for a visa• Customers will be able to identify themselves to Inland Revenue using a New Zealand Business Number
By 30 June 2017	<ul style="list-style-type: none">• Customers will be able to use their RealMe logon to access Inland Revenue online services• Complete the detailed design for Stage 2 of the Business Transformation programme



