

Cross-government Information-sharing to Identify, Stop or Disrupt Serious Crime

The Impact on the Integrity of the Tax System



National Research & Evaluation Unit

Te Wāhanga ā-motu mo te Rangahau me Aromātai

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Cross-government Information-sharing to Identify, Stop or Disrupt Serious Crime

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Table of Contents

| | |
|---|-----------|
| Section 1. Executive Summary..... | 4 |
| Section 2. Introduction..... | 5 |
| Section 3. Findings | 7 |
| Section 4. Discussion | 29 |
| Appendix 1. Methodology..... | 33 |
| Appendix 2. Interview Topic Guide | 35 |
| Appendix 3. Online Survey..... | 37 |
| Appendix 4. Demographic and Comfort Profiles of Survey Respondents | 43 |

Section 1. Executive Summary

Taxpayer information is required to administer New Zealand's tax system effectively. This information can be supplied by taxpayers, or it can be collected by Inland Revenue during an audit.

Broadly, the government's current legislative position is that this information is not shared with other government departments on the basis that it is 'tax secret'. However, there are instances where sharing taxpayer information relating to serious crime could bring offenders to justice, support the goals of other government departments, and offer the State broad efficiencies.

This study investigated the potential impact on the integrity of the tax system of sharing taxpayer information with other government departments to identify, stop, or disrupt serious crime. Participants in the research included senior government officials; experts in the tax, law, media and information communication technologies fields; tax agents and intermediaries; and members of the business community.

The study employed a mixed-method approach, combining qualitative in-depth interviews with an online survey. In relation to addressing serious crime, the research sought to understand what information-sharing activities or practices are considered acceptable; the types of information that should be shared; and if increased information-sharing would have an impact on the integrity of New Zealand's tax system.

Four hypothetical information-sharing Scenarios were developed for use in this study. The first involved Inland Revenue sharing information with Police after discovering a serious crime during an audit; the second involved Inland Revenue sharing taxpayer information with members of a taskforce; the third related to sharing a set of risk assessment scores with Police; and the final Scenario involved Inland Revenue supporting the Department of Internal Affairs with expertise and information. The Scenarios were deliberately designed to test the boundaries of acceptability of Inland Revenue's involvement in cross-government information-sharing actions.

Key findings

Overall, Inland Revenue's participation in information-sharing actions to address serious crime was found to be acceptable if it was fit for purpose. If Government proceeds down this path, the following concerns raised by participants should be considered. These include balancing the:

- individual's right to privacy with the benefits to society;
- nature of the serious crime with the type and breadth of information requested;
- authority of the information with the ability of the Department to supply it; and balancing the
- intended and potential use of the information with the risk of error and its misuse.

It is clear from the interview and survey data that cross-government information-sharing to address serious crime is an all-of-government issue; it is not specific only to Inland Revenue. Further, legislation must underpin any fit for purpose information-sharing action and this should outline the permission, control, and transparency mechanisms the public requires.

Finally, tax secrecy does not appear to be a significant concern when considering Inland Revenue's involvement in cross-government information-sharing to address serious crime. However, the potential impact on the public's trust in Inland Revenue, and subsequent impact on the integrity of the tax system, needs to be considered. If Government communicates, on behalf of Inland Revenue, that specific taxpayer information will be shared under specific circumstances, both trust and integrity will be maintained in spite of selectively relaxing tax secrecy regulation to identify and stop serious crime.

Section 2. Introduction

To administer New Zealand's tax system effectively Inland Revenue requires information from taxpayers. This information can be supplied by taxpayers themselves, such as when they file a tax return or advise Inland Revenue they have changed their place of residence, or it may be collected by Inland Revenue during an audit.

Broadly, the government's current legislative position is that this information is not shared with other government departments on the basis that the information taxpayers supply or that Inland Revenue encounters during the course of its duties is 'tax secret'. However, Inland Revenue is aware of instances where sharing taxpayer information that relates to serious crime would bring offenders to justice, support the goals of other government departments and offer broad efficiencies for the State. For example:

- Inland Revenue could proactively share taxpayer information with Police and/or the Serious Fraud Office when evidence of serious crime is detected in the course of Inland Revenue's work;
- Police could share taxpayer information with Inland Revenue when a crime is detected in the course of its work;
- taxpayer information could be shared within a cross-government taskforce focused on organised crime; and
- taxpayer information could be shared between departments for statistical, research and policy evaluation purposes more frequently and in more depth than it is now.

It is important, however, that Inland Revenue understands if there is likely to be any impact on the integrity of the tax system¹ of sharing taxpayer information to identify, stop or disrupt serious crime or prosecute those involved, before such actions are taken.

Objectives

This study was designed to explore the following questions:

- What information-sharing activities or practices do stakeholders in the tax system consider acceptable to identify and/or stop serious crime?
- What types of information do stakeholders consider acceptable to share to identify and/or stop serious crime?
- What impact would increased information-sharing have on stakeholders' perceptions of the integrity of New Zealand's tax system?

Method

The research adopted a multi-method design, employing qualitative in-depth interviews and an online survey. The 48 interviewees were selected from the government, academic, tax and law, and general commercial sectors. The participants included chief executives, members of senior management teams, and senior academic staff. The 323 online survey respondents were from the same sectors as the interviewees, with the addition of the tax agent and intermediary sector.

¹ Section 6 of the Tax Administration Act 1994 advises this involves taxpayers' perception of the tax system's integrity, their compliance with the tax system, and their rights to confidentiality and fairness, as well as the responsibility of those administering the law to ensure confidentiality and fairness.

Both the interview topic guide and the online survey incorporated four hypothetical information-sharing Scenarios, deliberately designed to test the boundaries of acceptability of Inland Revenue's participation in cross-government information-sharing actions. They were not intended to accurately reflect current or potential information-sharing actions. The first Scenario involved Inland Revenue sharing information with Police after discovering a serious crime during an audit; the second involved Inland Revenue sharing taxpayer information with members of a taskforce; the third involved sharing a set of risk assessment scores with Police; and the final Scenario involved Inland Revenue supporting the Department of Internal Affairs with expertise and information. A full description of the methodology is available in Appendix A. This paper reports on the findings from both the interviews and the survey.

Section 3. Findings

This chapter presents the findings of the study. To illustrate the range of responses, participants' comments are included.

General views about cross-government information-sharing to address serious crime

Participants were asked for their general views about sharing information between government departments and agencies, to help identify, stop or disrupt serious crimes. Several themes were identified in their responses and these are presented below.

Survey respondents' support for cross-government information-sharing emphasised individual and social outcomes:

"Sharing of relevant information is critical in all aspects of our control over anti social acts, security of and the integrity of those end users of this information is what must be of huge concern to all parties sharing information."

(BusCom #179)²

"More user friendly departments who can assist people to make the right choices. A culture of cooperation with the public rather than uncooperative self-serving public servants."

(Bus Com #186)

"Collectively Government Departments hold a lot of information on individuals & businesses. To the extent that people & businesses are able to behave criminally because information held by one agency is not shared with another current sharing of information practices should be increased."

(Tax Agent #149)

Analysis of the interview data revealed a wide variation in opinions about sharing information to address serious crime. This was based on interviewees' philosophical and practical considerations. For example:

"IRD is part of 'Government Inc.'"

(Stakeholder #4)

"The tax system is extremely important as a bastion of ... lawfulness in a country."

(Stakeholder #2)

"[Although] it is very important for information to be kept confidential, that is changing."

(Govt #12)

"... there would be general support for finding ways to reduce serious crime and the impact that serious crime has on society."

(Stakeholder #15)

"... for them you could get consumer benefit by sharing 'cause it just saves them having to duplicate what they need to share between the different agencies and ... people sort of believe that is already happening anyway."

(Stakeholder #5)

² The respondent made this comment in block capitals; it has been re-formatted for presentation in this paper.

“There are not many benefits [to increased cross-government information-sharing] and the value is overstated.”

(Stakeholder #13)

While it was generally accepted by the majority of interviewees that some degree of cross-government information-sharing should occur in order to achieve efficiencies within government, the level of detail required to address serious crime may be different.

Many interviewees raised the potential for error, particularly the risk of false positives – erroneously investigating innocent people:

“OK with Inland Revenue sharing data collected for the purpose of tax administration but it means that the accuracy of the information is very important – ensure there’s no false positives.”

(Govt #12)

And the potential for misuse:

“The sharing of information should not be used as a back door for, say, using Inland Revenue to do police work, so that when they go in and investigate their tax case they shouldn’t go and ask some sly information that is to do with other things.”

(BusCom #4)

However, New Zealand’s democracy was considered to be a protective feature for citizens. Many felt the small risk of misusing data would be protected by the style of governance and the intended benefit to society.

A future state scenario

Interviewees were asked to imagine a future state where all taxpayer information was shared freely between government departments and agencies for the purposes of addressing serious crime.

Again, the variation in philosophical and practical considerations was evident. Some interviewees felt it was inefficient not to share across government; others felt public concern should be balanced with State goals, or that information-sharing without appropriate controls could undermine the State’s own objectives.

The benefits to society of cross-government information-sharing were typically seen as more important than the individual’s right to privacy – if the individual was involved in a serious crime. Examples of the benefits included cost efficiencies for government and achieving specific goals for society. However, the potential for error and for abuse in this future state scenario were frequently raised. Interviewees stated the need for both legislative and policy caveats and controls. For example, these participants commented:

“As long as there’s clear rules I don’t have any problem with agencies sharing for the ... purpose that it’s meant. It’s the situation where the information could get out, and not be used for the purpose for which it’s meant.”

(BusCom #2)

“... you don’t want your personal information available fully to the public ... the bigger issue is you know the risks ... of accidental disclosure to the public, ... that seems to happen quite a lot, and it’s probably possible to prevent it from happening.”

(Govt #3)

“...only information that has an obvious and relevant connection to crime, not all information. And you should be transparent about the agencies involved, what’s shared, and the purpose or the relevancy of the sharing.”

(Govt #12)

“You have to set a threshold that society will be comfortable with.”

(Govt #2)

The types of legislative and policy caveats and controls identified by interviewees included:

- limiting the amount and type of information shared to that which is ‘fit for purpose’ and relevant to the investigation;
- controlling staff access to personal information, and using secure systems to store and share information;
- citizens’ awareness of what is shared, with which departments, for what purpose, and when; and
- legislation to provide a clear definition of serious crime, the legal approval to share information across government, as well as a system of redress for citizens.

At stake is citizen trust in government – not just trust in Inland Revenue – and participants felt that adhering to the caveats and controls would improve government’s integrity “across the board”. Several interviewees noted that New Zealanders have high levels of trust in government and once that trust is lost, it is difficult to regain.

Hypothetical information-sharing scenarios

Participants were presented with four hypothetical information-sharing scenarios, each designed to test the boundaries of the acceptability of sharing Inland Revenue’s information in order to address serious crime. Participants’ responses illustrating the themes identified are presented after each Scenario.

Scenario 1

Imagine Raj is one of Inland Revenue’s audit staff. During his audit of Company C, he found information that the company is obtaining property from crime. Inland Revenue notifies the Police.

The Police ask Inland Revenue for the information Raj collected from the audit, including its accounts and lists of its suppliers and clients. Inland Revenue also gives the Police the last five years of tax and financial data it has on the company.

The Police also ask Inland Revenue for the names, addresses, and the tax and financial details of the company directors, its employees, and clients.

Just over half of all survey respondents (55%) reported they were comfortable with the information-sharing described in this Scenario, while one in three (32%) reported they were not.

As can be seen in Figure 1 below, there were significant differences across the groups. Respondents from the tax and law stakeholders (43%) and tax agents (49%) groups were significantly less likely to indicate they were comfortable with this Scenario than those in the government (66%) and business (64%) groups.

Figure 1: Level of comfort with Scenario 1



Analysis of the interview data also showed participants’ support for this Scenario, however concerns about the breadth of information requested and shared were more evident. The need for caveats to balance their concerns was frequently raised.

“Inland Revenue staff may provide factual data to NZ Police. It is not their role to make criminal judgement decisions or scores. That is a criminal and legal jurisdiction that Inland Revenue staff should have no influence over.”

(Stakeholder #101)

“Safeguards would need to be introduced so that if incorrect information was shared then an individual/company need only appeal to one government body rather than to every different government department. Otherwise the effort involved in clearing your name/correcting your record would be prohibitive.”

(BusCom #130)

Components of the Scenario

The Scenarios each described different information-sharing actions, involving different government departments and agencies and different types of information. Participants were asked to indicate their level of agreement with each of these components.

Analysis of the survey data showed a clear delineation in terms of which components were considered acceptable or unacceptable to share (see Figure 2 overleaf). Sharing Inland Revenue information about employees, clients, and suppliers was found to be unacceptable.

Similar attitudes about the types of information deemed acceptable to share were expressed by the interviewees. Further, these participants believed that all information requested needed to meet a test of relevance, and the authority of the agency supplying the information was paramount. For example:

“And ... there’s this notion of authoritative information which is every department is authoritative for a subset of information. The fact that Inland Revenue holds taxpayer information doesn’t make it the authoritative source of that information and so the Police or anybody else needs to get information from the authoritative source not from a secondary source like Inland Revenue. So, just picking up on, for example, company directors and employees, etc., Inland Revenue isn’t the authoritative source for that information the Companies Office is.” (Stakeholder #15)

‘Rules’ about the information-sharing activity were also apparent in the qualitative data:

- the Inland Revenue staff member escalates the information to senior Inland Revenue staff with the appropriate seniority and expertise;
- the Police are notified by senior Inland Revenue staff with the appropriate delegation and seniority;
- the request from Police is for information that relates explicitly to the serious crime in question, and is staggered; and
- care is taken not to involve innocent parties.

The following comments illustrate these points:

“Okay as long as the front line person is not deciding on their own ... [that it has] senior sign off, by someone who is fully conversant with any changes to s.81, and [has the right] delegations ... and front line staff need to know the procedure if they see something.”

(Govt #14)

“So Police have to have their own checks and balances. Now if they conclude that the information that Raj provided them is an indication, in their view, of a crime being committed they have their own processes that kick off.”

(Stakeholder #15)

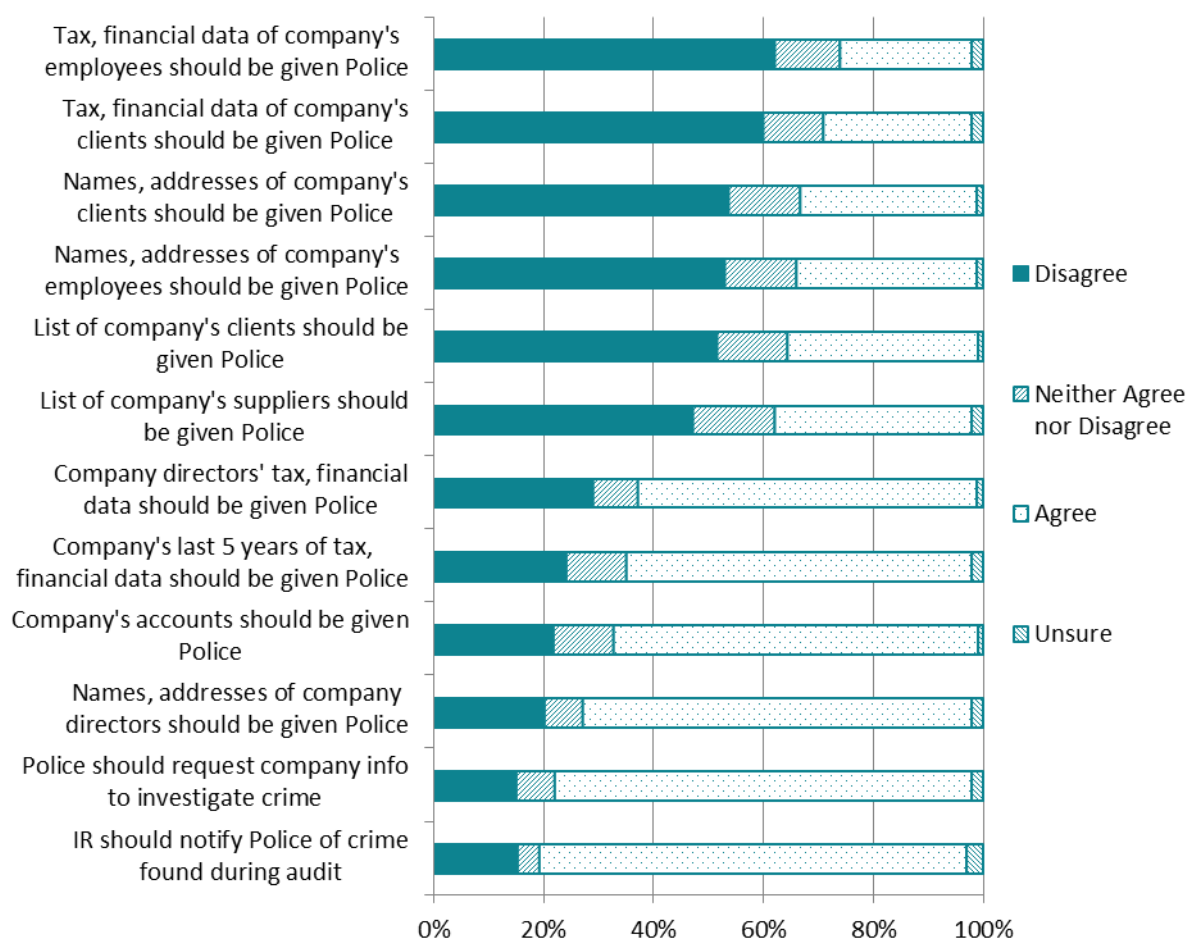
“The Police should be finding out if these people are linked in some way to crime. And they could do that without looking at their financial data.”

(Govt #9)

“...people have a right to privacy, and they shouldn’t have to provide their information just because they’re innocent.”

(Stakeholder #13)

Figure 2: Agreement with components of Scenario 1



Impact on the integrity of the tax system

The perceived impact that Scenario 1 would have on the integrity of the New Zealand tax system was mixed (see Figure 3).

One in three survey respondents (33%) indicated that sharing information to address serious crime as described in Scenario 1 would improve the integrity of the tax system; similar proportions thought it would have a negative (30%) or no (27%) impact; and the remainder were unsure (10%).

Group differences were evident – respondents in the tax and law stakeholder group were significantly more likely to believe this Scenario would have a negative impact on the integrity of the tax system (43%), compared with those in the government (26%), tax agents (31%), and business groups (21%).

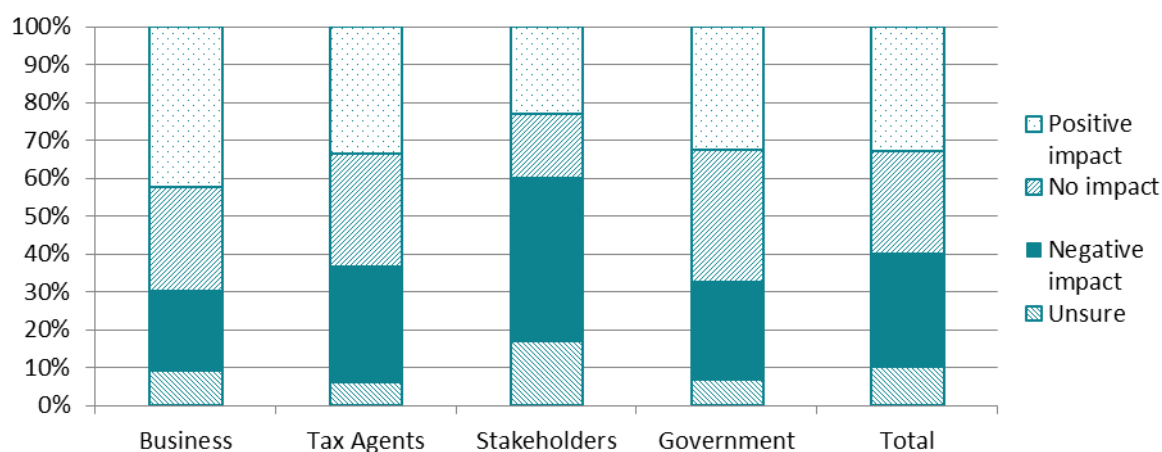
“Not all information kept by Inland Revenue is correct and/or up to date ... The whole basis of confidentiality of data both for and against the taxpayer should stay with Inland Revenue alone.”

(Tax Agent #82)

“The integrity of the tax system needs to be measured against tax compliance and encouraging people to meet their tax obligations. This requires disclosure of information to IRD and taxpayer honesty. As taxpayers discover sensitive information provided to IRD is readily available for other government agencies, the risk is that compliance and overall tax integrity declines over time.”

(Stakeholder #246)

Figure 3: Perceived impact on the integrity of the tax system with Scenario 1



In contrast, interviewees generally considered the information-sharing action in this Scenario would support the integrity of the tax system although the risks of poor implementation were raised. Some suggested it would have a negative impact on the overall amount of revenue collected by Inland Revenue because the company engaged in crime would cease trading.

“It will depend ... on how broad the knowledge is that this information is available. Well, if this is passed [between Inland Revenue and New Zealand Police] and nobody actually knows then there’s no impact is there? Or if it’s passed and the only people that know really are those are very closely involved in this and perhaps a court case, subsequent court case, then again there’s minimal impact. But if it’s broadly known everywhere and there’s enormous commentary around it, I guess, then there might be a larger impact. But again I would have thought that those who are going about lawful business shouldn’t be alarmed by that at all. In fact they should feel very pleased that the tax system is helping to fight crime. I mean the thing being there that the crime, is injuring our communities, our societies.”

(Govt #17)

Scenario 2

To investigate and stop an international money laundering ring, imagine that a taskforce is formed. The taskforce includes staff from:

- the Police;
- the Serious Fraud Office;
- Customs;
- Ministry of Economic Development; and
- Inland Revenue.

The taskforce investigates New Zealand taxpayers who set up and sell companies to people in New Zealand and in Australia. The members of the taskforce are asked to share information they hold about the taxpayers and companies that are being investigated.

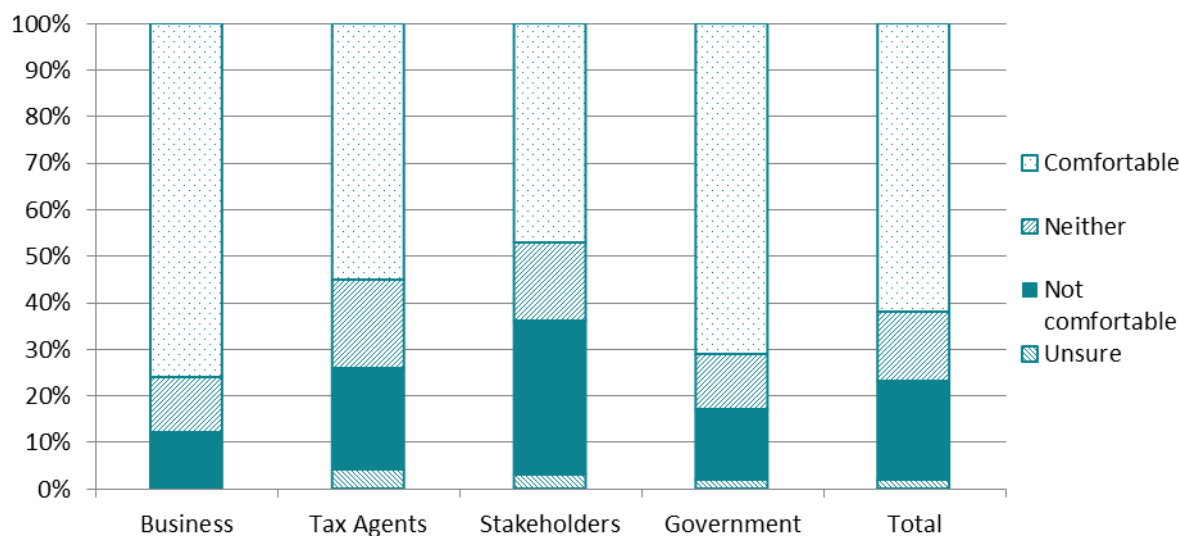
Inland Revenue has information about the taxpayers and companies being investigated. This includes the names, addresses, and tax and financial details of all the individuals involved in the companies under investigation.

Inland Revenue shares this information with the members of the taskforce. The taskforce passes this information to the Australian Police which is targeting individuals linked to the ring in Australia.

Overall, the level of comfort with information being shared in Scenario 2 (see Figure 4) was relatively positive amongst survey respondents. Almost two-thirds (62%) of all respondents indicated they were comfortable with this Scenario, while one in five (21%) were not.

The group patterns of difference in levels of comfort with this Scenario were similar to those for Scenario 1.

Figure 4: Level of comfort with Scenario 2



Respondents in the tax and law stakeholders (47%) and tax agent (55%) groups were significantly less likely to indicate they were comfortable with the type of information being shared in this scenario than those in the government (71%) and business (76%) groups.

“Sharing of relevant information is critical in all aspects of our control over anti-social acts, security of and the integrity of those end users of this information is what must be of huge concern to all parties sharing information.”

(BusCom #179)

“Some additional flexibility is justified to prevent/stop serious crime and fraud, but huge safeguards needed!”

(Stakeholder #322)

As with Scenario 1, the majority of the interviewees supported the information-sharing action described in Scenario 2 – however this support generally depended on two caveats or safeguards:

- all staff of the taskforce have appropriate seniority and security clearance; and
- all information shared in the taskforce is only used to investigate the serious crime for which the taskforce was formed.

Comments illustrating opinions about Inland Revenue participating in the taskforce included:

“For me, stopping serious crime is always going to top protecting people’s privacy [if they are involved in the crime].”

(Stakeholder #4)

“If the only vehicle to get at them is a tax vehicle, then make sure the tax system is empowered to do it.”

(Stakeholder #2)

“But you know again the taskforce would be set up for a specific purpose. Everyone would, I’m assuming ... sign an oath of what you can and can’t, what you need to protect. You’re probably secured to at least a secret clearance so you know you’re not going to use the data that you’ve obtained for, for your own specific purposes. So I’d be fine with that.”

(Govt #9)

Components of the Scenario

When survey respondents were asked about the components of Scenario 2 (see Figure 5 overleaf), nearly one third (29%) disagreed with the taskforce passing New Zealand taxpayer and company information to the Australian Police for investigation.

“...strongly disagree with sharing this data with overseas agencies of which New Zealand citizens have little democratic control.”

(Stakeholder #101)

“Information should be shared with other nations in a limited sense – i.e. I am happy with names, addresses, phone numbers, business addresses/names etc. BUT not complete details of every affair of individuals.”

(Tax Agent #237)

The strongest support was for Inland Revenue to share the names and addresses of the companies under investigation with the taskforce (73%).

Similarly, there was mixed support for the cross-jurisdictional sharing component of this Scenario amongst interviewees. The concern focussed on the reputation of the Australian Police and the lack of control over what the organisation might do with the information provided. However, many participants were comfortable with this component of the Scenario if legislation allowed cross-jurisdictional information-sharing to occur. Comments illustrating these views include:

“We’re a sovereign state, why should we give our information to another government?”

(BusCom #1)

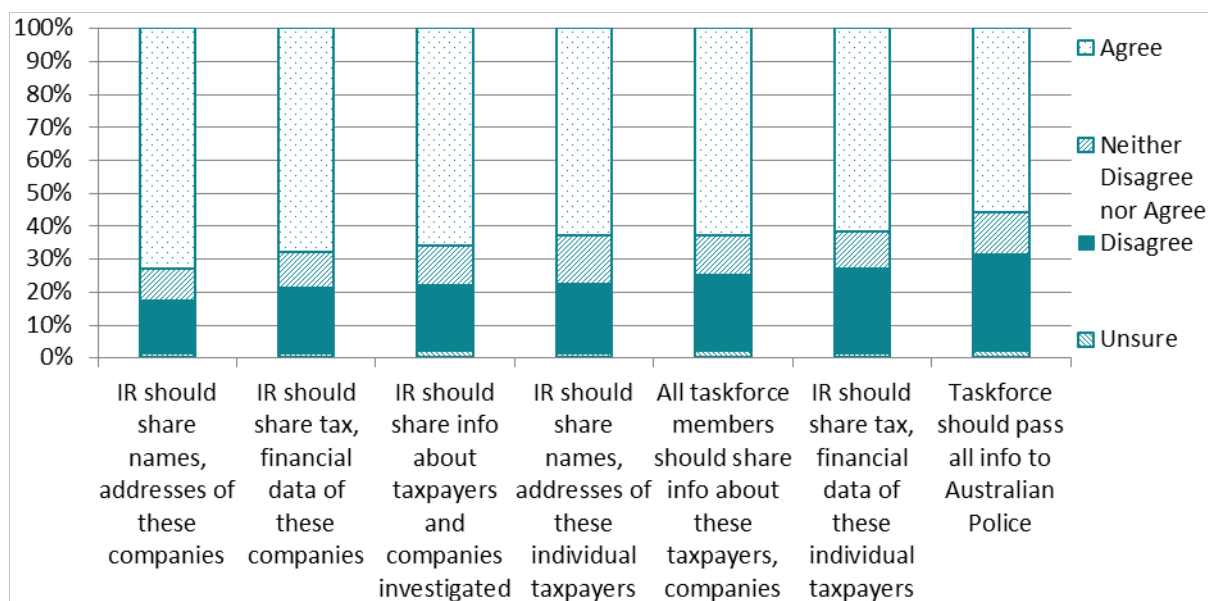
“...potentially acceptable, but may not be. Australia is a close neighbour of New Zealand and is aligned with us. I’d like to see it as limited as possible. Control of that information becomes harder and I’m not sure of their legislation – maybe they’ll share it with corporates. If New Zealand and other countries had real teeth in how they secure data then I’d be more relaxed.”

(Stakeholder #13)

“...because the globe is such a small place and crime is so transportable. That there’s crime being committed that impacts on New Zealand but it’s being committed in other places and we can’t actually touch it. But by working with Australian jurisdictions, US jurisdictions and many others, we can have an effect, a really positive effect, in New Zealand by enabling them to do policing in their country.”

(Govt #17)

Figure 5: Agreement with components of Scenario 2



Impact on the integrity of the tax system

Regarding the perceived impact that Scenario 2 would have on the integrity of the tax system (see Figure 6), the survey results were mixed.

Two out of five survey respondents (39%) indicated it would improve the integrity of the tax system, while one in five (19%) said the opposite, that it would have a negative impact. A further one in three (31%) indicated that the type of information-sharing in Scenario 2 would have no impact on the integrity of the tax system.

Interviewees generally believed the integrity of the tax system would be strengthened by sharing information within the taskforce. They thought the benefit to society was significant and could be clearly established, and there was a close fit between the purpose of the taskforce and the information shared. Many assumed this Scenario was current practice. Comments included:

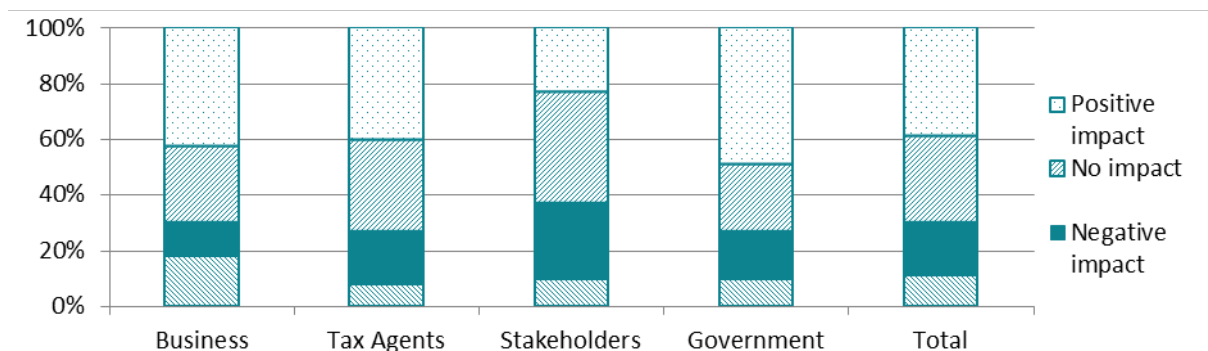
“Absolutely. I think it would support the integrity of the tax system because Joe Q taxpayer would know that we take these things very seriously and we’re not letting monies move into Swiss bank accounts or where it’s going to be tax free, or supporting if it’s proceeds of crime, or if it’s support terrorism or anything like that. Because you never really know how far the international rings are working and what they’re doing with that money. So I think, I think citizens around the world would be satisfied that governments were doing this.”

(Govt #9)

“People know that this can happen, it makes them more honest.”

(Stakeholder #9)

Figure 6: Perceived impact on the integrity of the tax system with Scenario 2



Scenario 3

This Scenario introduced the concept that Inland Revenue could share a risk assessment with another government department or agency.

Research has shown that people who evade tax also break other kinds of laws.

Imagine that, as part of its work to stop tax evasion, Inland Revenue develops a way to score how likely a taxpayer is to evade tax.

Inland Revenue shares the scores for each taxpayer with Police.

Police combines the scores with its own information to develop a profile of people most likely to commit a serious crime in New Zealand.

Scenario 3 tended to polarise both survey respondents and interviewees. For example, when asked to indicate the level of comfort with the information-sharing action described in Scenario 3 (see Figure 7 overleaf), half of all survey respondents (49%) said they were not comfortable, while just over a third (36%) said they were. No significant differences were observed across the respondent groups.

“Profiling I have some issues with if it means people are under scrutiny simply because they fit a profile...”

(Stakeholder #173)

“... ‘profiling’ the compliance risk of a person is a sensitive area, in my view there is stronger justification for profiling only those who have proved to be non-compliant in the past. Therefore for those who have proved compliant there is no need to share anything. Finally, I think transparency of what information and why and in what circumstances are important factors in mitigating the risk to the integrity of the tax system, as well as the very careful use of any information that is shared (sometimes the info will be wrong...)”

(Govt #122)

Analysis of the interview data revealed comfort with this Scenario was split. Half the interviewees supported this Scenario:

“This is no different to me going to a credit agency and saying “what’s my credit score?”

(BusCom #3)

“It would be a good investigative aid.”

(Govt #13)

“See, I think this is great. But I think what we’re really talking about is a particular kind of likely criminal who are the people who kind of bypass the tax system and bypass most others ... So you’re more in the serious fraud kind of end of things. And I think this is quite useful for a combined sort of look at risk.”

(Govt #8)

Figure 7: Level of comfort with Scenario 3



But often only if checks and balances were present:

"It's a question of not ... allowing things to come forth that can cause accidental harm."

(BusCom #2)

"I'd be a bit concerned about individual information being dispersed here but not the insights of research that was based on that information."

(Stakeholder #1)

"Inland Revenue should only be sharing information with Police about people they suspect as evading tax, not everyone's information."

(BusCom #6)

Others found this Scenario unacceptable as they felt it was too close to a 'fishing expedition' and many were concerned about 'false positives' and the significant personal risk for those wrongly investigated:

"No, I don't like that. Because ... you're assuming guilt without any kind of proof. I really wouldn't like it at all. Sure, taxpayers that evade taxes may break other laws but I ... I probably can't articulate very well why it bothers me so much but that in my opinion would be very close to violating civil rights. It really is."

(Govt #9)

"...are you using information obtained without someone's consent ... or overriding the right to avoid self-incrimination?"

(Stakeholder #6)

"...squeaky clean in other areas ... [and] end up on the Police radar for no reason."

(BusCom #1)

"...trying to predict future behaviour on a scoring system for your own purposes is okay because you use it to segment your customer base ... Quite often it is wrong – ask any Customs Officer who does profiling at the border how many times they get it wrong – And think of the consequences that they put people through. And when you combine Inland Revenue scoring subjectively with Police scoring? Forget it. ... out of the three scenarios I would say this is to me by far the least acceptable because of the inability to get it right. The false positives are very high."

(Stakeholder #15)

Losing the public's trust in government was also a concern:

"Don't like it – a fishing expedition - ... not as valid, the public would not be okay with it, Inland Revenue would get criticised, half of evaders would claim it's just a mistake, and the public won't react well ... If you go too far you will get a broader distrust of the government by the public."

(Govt #14)

Components of the Scenario

Inland Revenue developing risk assessment scores for its own use was generally supported by survey respondents (55% agreed), but just one third (31%) of respondents agreed the scores should be shared with New Zealand Police. Comments included:

"Honest citizens need not fear from the legitimate activities of Police or the IRD to ensure they comply with a lifestyle that has integrity and does not 'steal' from others in the process. Time to toughen up an approach that has been seriously eroded over the last 25 years."

(BusCom #58)

"I fully support sharing of information but not necessarily everything. For instance scenario 3 ---- IRD form base but only share top say 5%. Why should details of an average law abiding family have details exposed to a large number of organisations/people."

(Tax Agent #75)

"There needs to be a sufficient case put to the court before disclosure is made. i.e. The Inland Revenue should not assist the Police or others in 'fishing expeditions' as this is an infringement on our personal rights as citizens, particularly those of privacy."

(Tax Agent #44)

Survey respondents' levels of agreement with the components of this Scenario are presented in Figure 8 below.

Similarly, while interviewees acknowledged the subjective nature of the risk assessment scores they were comfortable with Inland Revenue using them for its own purposes. Most interviewees were concerned about sharing the scores with New Zealand Police for its use. This was because they were unsure of the strength of the connection between tax evasion (or the risk of tax evasion) and serious crime, and so doubted the scores were fit for purpose. Comments included:

"Data's data, and you kind of want it to be qualified information ... and anything that's subjective to me shouldn't be shared, because it's up to an individual organisation's policies and procedures as to how they've formed a view on it."

(Stakeholder #5)

“It’s an un-testable correlation that is being assumed, and it’s absolutely wrong for such loose judgments to be made about every citizen in New Zealand and seen as having any value.”

(Stakeholder #2)

“...you really have an issue of context-sensitive information. So this notion that a taxpayer who evades tax is also going to break the law in other areas, I find that really suspect. But even if you assume that that is true, the threshold has to be much, much higher. So a convicted sex offender has a very high possibility of re-offending – that’s a fact. And that’s why society designs systems for intrusive monitoring. That’s a very high barrier.”

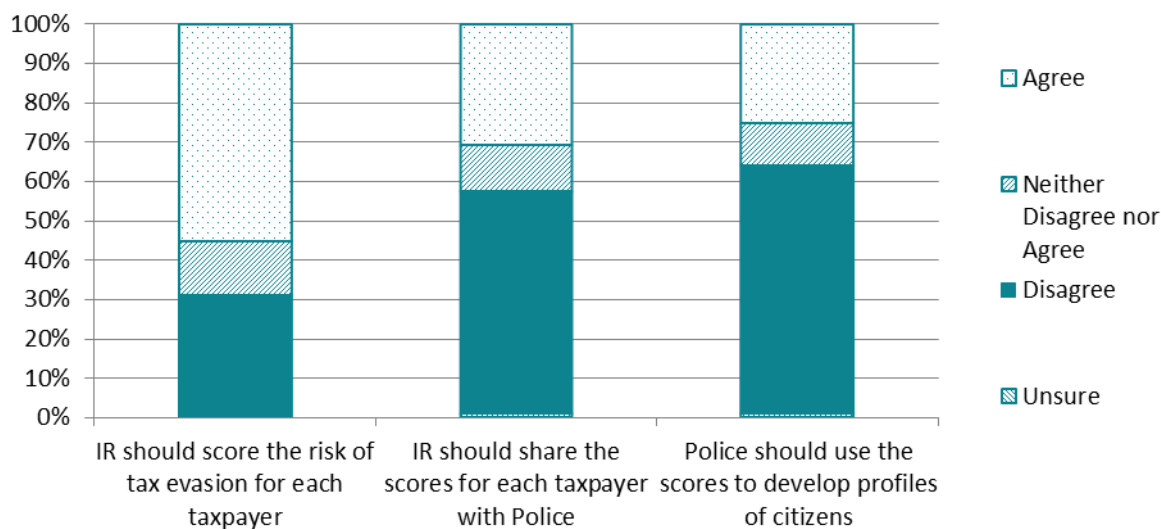
(Stakeholder #15)

Nearly two-thirds (63%) of survey respondents disagreed that New Zealand Police should be using the risk scores to develop a profile of people most likely to commit a serious crime. Comments from respondents included:

“...we would have to trust that the Police were only going to use this for the purposes that it was intended. ... there would have to be, you know, some kind of checks and balances to say the Police were only going to use it for certain things, and not to, you know, do surveillance on a thousand risky taxpayers.”

(Govt #9)

Figure 8: Agreement with components of Scenario 3



Impact on the integrity of the tax system

The perceived impact that Scenario 3 would have on the integrity of the New Zealand tax system was mixed.

Almost half of all survey respondents (46%) indicated this would have a negative impact, whereas less than one-third (29%) indicated it would have a positive impact on the integrity of the tax system (see Figure 9).

Similarly, analysis of the interview data revealed wide variation in perceptions of the effect this Scenario would have on the integrity of the tax system. Comments illustrating the range of views include:

“... I think this is quite supportive of the integrity of the tax system, this one, because I think it underscores that tax evasion isn’t just a misdemeanour.”

(Govt #8)

“Because people will genuinely want to stay out of trouble and therefore they will say “Well, I’d rather pay my tax than ... have it affect my credit rating””

(BusCom #3)

“Integrity doesn’t just rely on it being locked away.”

(Stakeholder #4)

“...the general statement ... that ‘Inland Revenue assists Police through the supply of some specific information to combat organised crime’ in my view will enhance [the integrity of the tax system].”

(Govt #17)

“...[advising the public] we do share information but we do not share information on individuals unless there’s a particular, proven case.”

(Stakeholder #10)

“People, businesses, would all operate undercover, underground, I think.”

(Govt #9)

Figure 9: Perceived impact on the integrity of the tax system with Scenario 3



Scenario 4

The last Scenario introduced the concept of Inland Revenue lending its expertise to another government department or agency.

To investigate compliance patterns, Inland Revenue has expertise in finding the links between taxpayers.

Imagine that the Department of Internal Affairs (DIA) is investigating a ring of sex offenders who are trading photographic material.

The DIA asks Inland Revenue to use its expertise and tax information to find the connections between the people they are investigating. The DIA also asks Inland Revenue to see if these people are strongly connected to anyone else. Inland Revenue shares the results with the DIA.

While the majority of survey respondents were in support, similar to Scenario 3, it tended to polarise interviewees.

The level of comfort with Scenario 4 (see Figure 10) was relatively positive amongst survey respondents. Three-fifths of all respondents (61%) indicated they were comfortable with the Scenario, whereas one-quarter (26%) were not.

There were significant differences between the groups. Just one in ten (12%) business respondents reported they were uncomfortable with this Scenario compared to one in three of the tax and law stakeholders (37%) and the tax agents (30%). This respondent explains:

"Information should not be shared to raise suspicion that a taxpayer may be involved through a tenuous link to a suspect criminal. That is the basis for a police state."

(Tax Agent #231)

As with Scenario 3, support for Scenario 4 amongst the interviewees was mixed. Most interviewees supported the Scenario due to the gravitas of the nature of the crime involved:

"...in cases like this there's a very strong public interest in finding sex offenders. And a lot of other offenders too, but particularly for sex offenders. And I think there's a very strong feeling by New Zealanders that every source of information available, lawfully available, should be used. Sex offenders who pay their tax probably won't agree but they'll be the only ones I think who don't. We'll probably even have organised criminals who say, yeah, that's fair enough."

(Govt #17)

"...it's [a] balance between the needs of society and security and safety and revenue, so if we're ... through this we actually stop the crime and there's obviously a cost that would have been incurred if that crime occurred, is more than the revenue generated if we didn't do it, well then I would agree that this is a better way of doing it."

(Stakeholder #9)

Others worried emotion would tip the balance:

"No one likes sex offenders, but substitute a political objector and..."

(Stakeholder #14)

"Emotionally it's OK, but logically I think it's wrong."

(BusCom #4)

“...the fact that [Inland Revenue has] information and can map things can be used for good or bad; that ability can be abused. It all depends how big the scope is.”

(Stakeholder #13)

Figure 10: Level of comfort with Scenario 4



Components of the Scenario

Survey respondents were relatively comfortable with Inland Revenue supporting the DIA in its investigation (see Figure 11), but one third (33%) were uncomfortable with Inland Revenue exploring if the DIA’s suspects were linked to anyone else. Comments from survey respondents illustrating these concerns included:

“Any sharing of information should be done only when there are strong indicators of crime, sharing information just because you can (profiling / fishing for information) risks a slide towards an Orwellian society.”

(Govt #79)

“Scenario 3 and 4 contain a bias which implies the Inland Revenue know there has been a crime or are sharing information which could lead to many innocent people being investigated inappropriately because of information that is shared. It will have an impact on our justice system which is why I am strongly opposed to the sharing of the information. Much of the information suggested as being able to be shared is likely to be available to the Police through other sources and they should go through proper procedures to obtain it. The integrity of the tax system itself is dependent on the taxpayer’s affairs remaining private between the taxpayer and the Inland Revenue.”

(Tax agent #120)

Many interviewees explained the Scenario tested the outermost boundaries of Inland Revenue’s role and its strengths, and that it bore no relationship to revenue administration. Others felt it was an innovative use of Inland Revenue’s abilities and that it supported the joined-up government model to achieve better outcomes for New Zealanders. Comments included:

“Why would IRD be mapping social networks amongst taxpayers?”

(Stakeholder #5)

"I suspect Internal Affairs is far, far better than [Inland Revenue at mapping social networks]. Nevertheless ... why I am saying it's not right is because Inland Revenue is not the authoritative source of social networking mapping in New Zealand thankfully."

(Stakeholder #15)

"... again, you've got a really serious crime here and sex offenders tend to connect with other sex offenders. So I think this would be really, really useful information and I think the public interest is served. It isn't really what the tax system is for, but you've got a really serious crime."

(Govt #8)

However, interviewees also feared that innocent individuals would be erroneously included in the analysis, and they considered the legal and reputational consequences of this extreme. Many considered it a 'fishing exercise' and several found the Scenario entirely unacceptable.

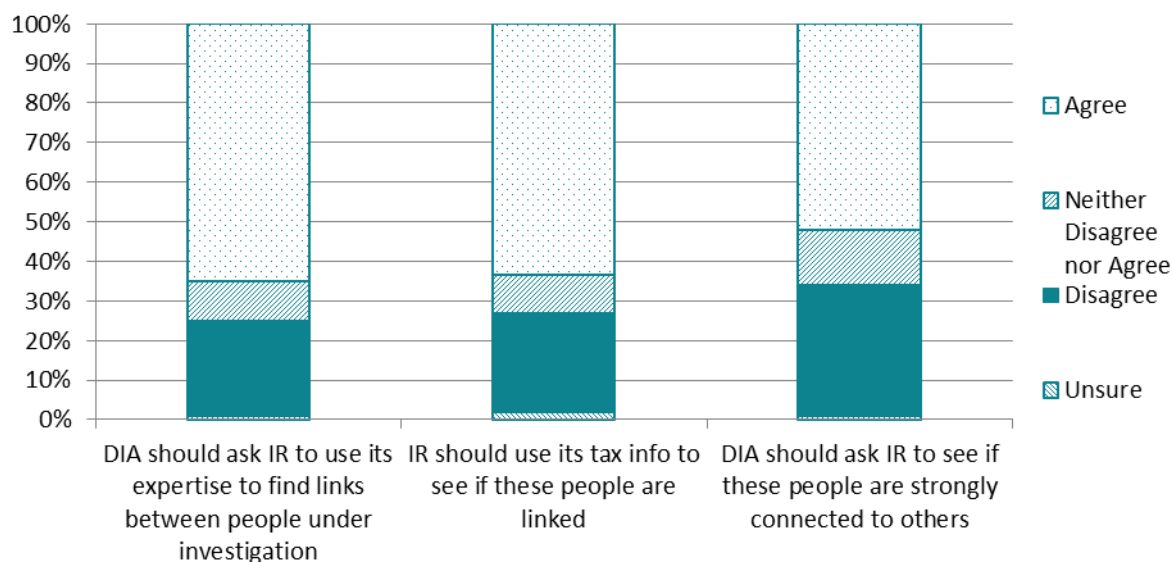
"I think it's just going beyond what people would perceive the legitimate activity ... of the IRD [to be]. It's basically snooping on people."

(Stakeholder #7)

"Not exactly a curbing of individual freedoms but has overtones of surveillance for potential law breaking that may not be serious enough to warrant it."

(Govt #4)

Figure 11: Agreement with components of Scenario 4



Impact on the integrity of the tax system

Two out of five (43%) survey respondents indicated Scenario 4 would have no impact on the integrity of New Zealand's tax system (see Figure 12 above); just one in five (20%) believed it would have a positive impact.

Group differences were observed. Just a handful (3%) of respondents in the tax and law stakeholder group believed Scenario 4 would have a positive effect on the integrity of the New Zealand tax system, compared with one third (36%) of the business respondents.

“Some additional flexibility is justified to prevent/stop serious crime and fraud, but huge safeguards needed!”

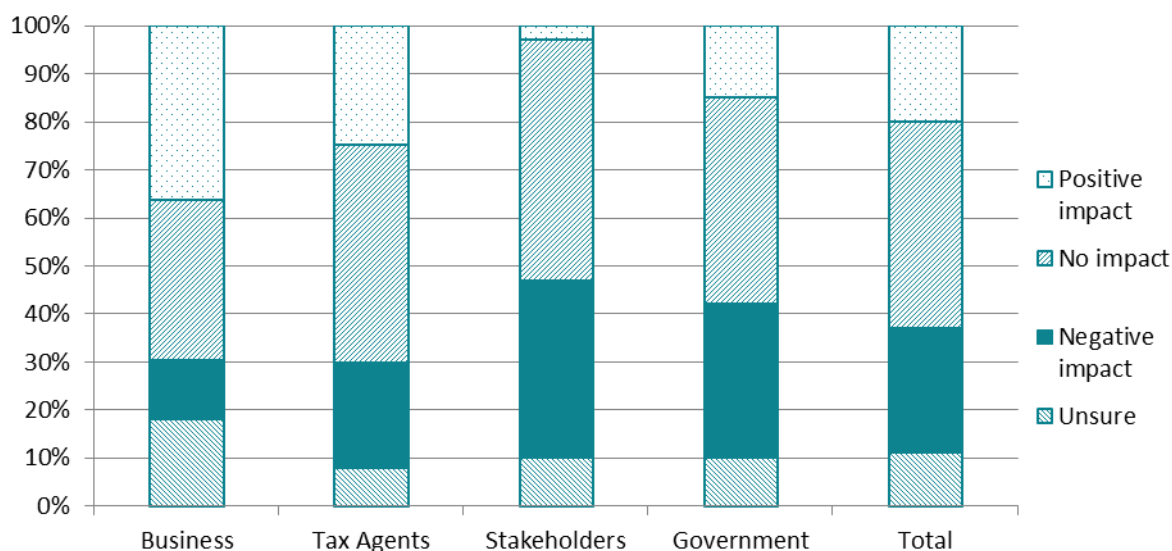
(Stakeholder #322)

“Expanding information-sharing to speculative sharing or profiling will inevitably increase levels of distrust in Inland Revenue and therefore erodes tax compliance. It would only take one front-page-of-the-Dominion false accusation case to start a tax revolt. People don’t like paying taxes anyway. Don’t poke the bear.”

(Govt #84)

Most interviewees thought the impact on the integrity of the tax system would be positive or that it would have no effect at all as it would be “done behind the scenes” (BusCom #4). This finding illustrates how interviewees perceived the information-sharing Scenarios as all-of-government actions rather than peculiar to the tax administration.

Figure 12: Perceived impact on the integrity of the tax system with Scenario 4



Sharing specific types of information

Inland Revenue holds different types of information about taxpayers (including individuals and businesses). Survey respondents and interviewees were asked to indicate which types of information they felt would be acceptable to share with other government departments and agencies to address serious crime.

The word clouds presented below provide a graphical representation of these results, with the size of the words corresponding to the frequency with which each element was selected. The largest words represent those most frequently identified as being acceptable to share; the smallest words represent those identified as being least acceptable.

As illustrated in the first word cloud (see Figure 13), there are two tiers of information that survey respondents consider acceptable to share. The first, supported by two thirds of the survey respondents, comprises identity-related information about taxpayers. This is information that Inland Revenue is not the authority on. The next tier of acceptable information, supported by more than half of respondents, comprises information that is tax-and finance-related – which Inland Revenue is the authority on.

The types of information survey respondents considered *least* acceptable to share were about relatives (25%), children (26%), clients (32%), spouse (34%), suppliers (35%), and employees (41%).

Figure 13: Word cloud of informational elements survey respondents considered acceptable to share



Comments from respondents indicated the relevance of the information to the serious crime, the risks if citizens were wrongly implicated, or if the data were misused were reasons for these differences:

“...the information disclosed needs to be directly relevant to the crime under investigation.”

(Stakeholder #12)

“Information-sharing needs to be on a need to know basis and appropriate to the circumstances. It should not be a ‘free for all’ scene as information that has no relevance to a crime can be disclosed or viewed by inappropriate persons. How is a person’s clients relevant to disclosure when in most likelihood a client would not know their supplier is involved in a serious crime and/or fraud?”

(Tax agent #7)

“I am not confident all info should be passed, I am particularly concerned about... commercially sensitive business information, particularly around R&D type work etc., that Inland Revenue may hold – Corporate taxpayers may well hold back information from Inland Revenue in the future if they feel it will fall in the hands of agencies that cannot be trusted with it.”

(Government #245)

Survey respondents from government and the business community had more favourable attitudes towards sharing the first tier of informational elements to address serious crime. Respondents in the tax agent and tax and law stakeholder groups had less favourable attitudes towards these elements.

These results were generally supported by the interviewees, as evidenced in the second word cloud (see Figure 14), and suggests that information-sharing should be done in several stages, with the first stage establishing whether or not the “correct John Smith” has been identified, followed by sharing more information only if directly relevant to the serious crime or the investigation.

“[I have seen] 2 people with similar names, born in the same year and in the same hospital, with very similar IRD numbers. One was on a benefit, and there were mix-ups between the two with our client being accused of benefit fraud, and pursued for child support payments...”

(Tax Agent #40)

Figure 14: Word cloud of informational elements interviewees considered acceptable



Other than playing a part in data-matching and ensuring the correct person has been identified, interviewees tended to consider ethnicity and gender irrelevant to a serious crime. These elements appear to have had more importance to survey respondents.

The results depicted in the word clouds reiterate participants' assertion that any information to be shared should be fit for purpose, particularly that the information is relevant to the serious crime in question. Given the variety of serious crimes (from interpersonal violence and murder to forgery and money laundering), participants' perception of the relevance of specific informational elements will depend on the type of crime.

Summary

In summary, the survey results revealed cautious support for Inland Revenue's participation in cross-government information-sharing actions for the purpose of addressing serious crime, as described in the Scenarios.

There was considerable variation between the groups in their comfort with the Scenarios. For example, the tax agent group was the least comfortable with Inland Revenue passing on information resulting from an audit (the business group was also uncomfortable with this Scenario). The tax and law stakeholders group was the least comfortable with any Scenario, while the comfort of the government group varied according to the information-sharing actions described.

Diversity in perspective was apparent within the respondent groups, too; some respondents in the tax and law stakeholders group were vehemently in favour of the information-sharing actions described. Further, these trends need to be considered with the comments respondents supplied. For example, while the majority of respondents in the tax agents and intermediaries group indicated their discomfort with the information-sharing action in the audit scenario, several explained this was because they felt the tenets of the action involved checks and balances that were not adequately outlined in the description given.

Overall, survey respondents indicated a high level of comfort with Inland Revenue sharing taxpayer information, in order to stop serious crime, with those government departments and agencies that have a strongly visible role and mandate in law enforcement activities. Respondents indicated considerably less support for Inland Revenue sharing taxpayer information with government departments and agencies that do not.

These findings, when combined with the ratings of the acceptability of sharing specific types of information, illustrate how important 'fit for purpose' is in driving the acceptability of the information-sharing actions described.

Analysis of the interview material confirmed and extended these results. Amongst interviewees there was strong support for the information-sharing actions described in Scenarios 1 and 2, but there was also strong interest in the legislative and policy controls to balance their concerns about the breadth of the information requested and shared. This was particularly focussed on preventing unnecessary risk to innocent third parties, and there was considerable tension about sharing information about New Zealand taxpayers with the Australian Police. The concept of sharing an analytical business product – a risk assessment – polarised interviewees. While interviewees were generally comfortable with Inland Revenue developing risk scores for

its own use, most were uncomfortable with sharing these scores with New Zealand Police on the grounds that they were subjective and that the data set would be too broad. Similarly, the concerns about the connection between the crime and the potential for false positives strongly influenced interviewees' overall comfort with the hypothetical example in Scenario 4.

In conclusion, although survey respondents and interviewees considered the prospect of cross-government information-sharing for the purposes of addressing serious crime had merit, it must be undertaken with many caveats and controls. The most important of these is that information-sharing actions must be 'fit for purpose'. Being fit for purpose involves:

- legislation providing the definition, permission, control, and transparency to share information, as well as providing citizens with an avenue of redress;
- information that is relevant to the investigation of the serious crime (this includes the nature of the information requested and the breadth of the request);
- authoritative information requested from the relevant government agency; and
- taking care not to erroneously involve third parties' information with no relationship to the serious crime in question.

Specifically, that Inland Revenue's expertise and information:

- is shared with government agencies that have a logical and visible role in law enforcement activities, for the purposes of addressing serious crime;
- is focussed on already-identified suspects of a serious crime unless there is good reason to expand this focus;
- is limited to identity-related and IR-specific information: names, addresses and the tax and financial details of individuals and companies already under investigation, unless there is good reason to expand; and
- does not disadvantage individuals not directly related to the investigation.

The survey results and interview findings also show there is potential to positively affect the integrity of the tax system if Inland Revenue plays a role in bringing already-identified suspects to justice. Any action beyond this – such as activities that can be perceived as unwarranted and broad information exchanges – has the potential to damage the integrity of the tax system.

Section 4. Discussion

This chapter presents the key themes of the project's findings.

Support for information-sharing actions to address serious crime

The data from the interviews with a broad range of government officials, tax and law experts, and the business sector yielded significant insights into the philosophical and practical reasoning behind support (or otherwise) for Inland Revenue's involvement in cross-government information-sharing to address serious crime. Overall, there was support for Inland Revenue's involvement in this activity. The most frequently raised reasons to support this relate to societal benefits – a safer society, improved public service delivery, and higher levels of trust and transparency. These are discussed below.

Social good and citizen-centricity

There were a number of benefits to society of Inland Revenue sharing taxpayer information cited to identify and/or stop serious crime. Support was positioned firmly on the basis that it would help create a safer society and thus increase the economic and social wellbeing of New Zealanders.

In relation to improving safety, two aspects were raised. First, information-sharing could become one of the tools available to help prevent serious crime. Second, serious crimes are not victimless crimes, and information-sharing would assist in bringing the perpetrators of serious crime to justice. However, these views were based on the premise that the crimes in question were indeed serious, and that societal benefits are balanced with the individuals' right to privacy. In addition, it was noted that tax secrecy comes with the condition that taxpayers are honest in the information they provide, and there exists an ethical conundrum around government collecting revenue from crime.

One final benefit raised was that cross-government information-sharing actions could increase the integrity of information held by all government departments, as it would facilitate checks in the quality and accuracy of the information each department held. This would only be possible, however, if there were common processes, protocols and language relating to data held by departments. In this regard, there were some concerns about government's ability to provide adequate systems, security, and protection to achieve this.

Trust and Transparency

Maintaining and improving the community's trust and governmental transparency is important. There was a general view that trust in Inland Revenue and in the government would improve if Inland Revenue shared taxpayer information to address serious crime. New Zealanders would see that Inland Revenue was taking action, and that government was listening to society's view that serious crime needs to be addressed.

Within a joined-up model of service delivery, information-sharing will have implications for government in its entirety, not only the tax system. The need to be transparent in its information-sharing actions includes being open about the purpose of collecting the information, what information is being collected, how government is going to use it, when it is likely to be shared across government, with whom, and under what circumstances. Should Inland Revenue become involved in sharing information to address serious crime, some argued its role would be changing. This may require building additional capability beyond investigating tax evasion, and could even result in Inland Revenue becoming an 'intelligence leader'.

Importantly, any information-sharing actions must be 'fit for purpose'. That is, they should only involve government agencies relevant to the serious crime in question, and any involvement by Inland Revenue should be to address crime or assist other agencies to achieve that goal. In relation to sharing information across jurisdictions through cross-government taskforces, concerns about information from the New Zealand-based

taskforce being shared with, for example the Australian government, were commonly raised. This said, it was recognised that many crimes cross traditional State borders; if there were benefits for New Zealand citizens then cross-jurisdictional information-sharing should occur.

Controls on information-sharing to address serious crime

Research findings indicated that the misuse of citizen data must be guarded against, and information-sharing actions should only occur under strict conditions. Legislation and operational protocols are key to mitigating these risks. Other concerns related to the cultural differences (including reputation) that exist between government departments in their approaches to data collection, storage, and sharing information. These are discussed below.

Conditions, checks and balances

Participants in this study highlighted the need for balance between societal benefits of information-sharing and the individual's right to privacy. Having a system of 'checks and balances' was frequently raised as the way to achieve this balance. The types of legislative and policy controls suggested included:

- information being fit for purpose, and sourced from the appropriate agency;
- common standards and definitions of core government datasets, to ensure accuracy of government information;
- appropriate technical capability of government's information systems to address serious crime including accurate real-time systems, adherence to privacy principles, and maintenance of the integrity of the information; and
- protocols at chief executive, senior government staff, and ministerial level to determine the appropriateness of requests and information-sharing actions relating to serious crime.

These types of checks and balances would reduce the risk of citizen data being misused. It would ensure only appropriate staff have access to the information, and prevent 'fishing expeditions'. In addition, the controls should assist in preventing information getting into the public domain where it could be used improperly, for example for marketing or against specific individuals.

The role of legislation in any cross-government information-sharing actions was considered crucial to balance societal benefits with the risk of harm to the individual. Currently, where legislation doesn't exist, Memoranda of Understanding are used, but many government participants advised that legislation change may be required in the future.

The role of the Privacy Commissioner was considered to be pivotal. There was support for an independent body to govern information-sharing actions – accountable to the Crown and not the Government of the day. This body would also give citizens an avenue of redress if needed. In addition, having an Information Commissioner and an Information Ombudsman would signal that a strong stance on the security and use of public information was taken.

Government culture, reputation, and citizen needs

There are perceptions of variation in information security practices across government departments, and this was seen to be driven by the different departmental cultures. Inland Revenue was considered to have a culture of integrity and participants in the study assumed this is a key reason for the high levels of citizens' trust in Inland Revenue. For example, it is 'known' that within Inland Revenue, data is ring-fenced and access is controlled.

Data leaks and losses publicised in the media influence citizens' perception of the government agency involved. Based on these perceptions, different government departments have a 'reputation' and associated level of trust about the way citizens' information is managed. Information-sharing policies need to consider this, and any protocols for information-sharing must set a high standard based on best practice to build a positive culture across the whole of government.

Embedded in departmental information-sharing approaches is the need to recognise that, although the law is indiscriminate in its application, the effects on individuals vary depending on circumstance. For example,

sharing seemingly innocuous information such as an individual's address has significant implications for those affected by restraining orders or who are part of the witness protection programme.

Further, socio-cultural views of information and information-sharing actions, including the way information is collected, used and stored, vary amongst the populace. Any cross-government information-sharing protocol developed will need to consider the perspectives of tangata whenua, Pasifika, and Asian peoples. These points reiterate that there is a 'human side' to all information systems.

Striving for the right efficiencies

A joined-up service model of government may result in greater efficiencies for the State primarily due to reducing the state sector workforce working with citizen data. However, some concerns were raised that, without detailed taxonomies and ontologies, important institutional knowledge about information held by government departments could be lost in a joined-up service model.

Developing a formal and comprehensive understanding of the information government departments hold – including which department is the authoritative source of specific data – is a required control of any cross-government information-sharing action. It was also noted that the information shared across government to achieve efficiencies might require a different level of detail to that which is shared to address serious crime.

Impact of information-sharing on the integrity of the tax system

A key objective of this research was to investigate any potential impact on the integrity of the tax system of information-sharing to address serious crime. Inland Revenue was described as a government department that already has considerable powers. In relation to increasing the authority of Inland Revenue to share information, care would need to be taken to mitigate against the impression that the department is too powerful or too 'heavy-handed'. Participants in the study thought that such an impression would undermine the integrity of the tax system.

Some concerns were raised that information-sharing actions could negatively affect voluntary compliance, particularly amongst the criminal fraternity and amongst individuals of low socio-economic status. Previous research³ has indicated that those with low socio-economic status are generally less-trusting of government, and they have fewer resources and/or less ability to challenge it. As mentioned above, any information leaks would undermine citizens' trust in government. However, any leaks involving Inland Revenue would undermine the integrity of the tax system.

In contrast, it was perceived that if Inland Revenue proactively shares information to stop serious crime it would maintain and strengthen the integrity of the tax system. The caveat here is that any information-sharing action would need to balance the risks with the societal benefits of sharing, and would need to follow necessary protocols.

Currently Inland Revenue is part of cross-government taskforces, but usually in an observational capacity. It was considered that the integrity of the tax system would be reinforced if Inland Revenue was an equal member of taskforces, sharing information and expertise as other members do.

³ Lips, M., Eppel, E., Cunningham, A., and Hopkins-Burns, V. (2010). *Public Attitudes to the Sharing of Personal Information in the Course of Online Public Service Provision*. Wellington: Victoria University of Wellington.

Fit for purpose

The overarching theme in relation to the acceptability of cross-government information-sharing to address serious crime was that it must be 'fit for purpose'. There are a number of criteria used to describe what fit for purpose means:

- the agencies involved in the information-sharing action should be authoritative sources and justifiable users of the information;
- the identity and authority of the information sharer should be validated;
- the information requested or shared should be the minimum required to meet the needs of the agency requesting it, and it should relate explicitly to the serious crime in question; and
- the quality of the information must be assured or confirmed by another authoritative source.

In addition, a range of other considerations were raised in relation to the acceptability of information-sharing. These include Inland Revenue not sharing information of a commercially sensitive nature; all information-sharing actions should be guided by the Crimes Act (or other relevant legislation); some types of information to be shared are more acceptable than others, and the acceptability of the information or the sharing action will vary by the individual; Inland Revenue uses third party data, but third parties should not be able to obtain information shared across government; and that information given to government under amnesty should be treated differently than information freely given.

Conclusion

The purpose of this research was to investigate the acceptability of Inland Revenue sharing taxpayer information with other government departments to identify and/or stop serious crime. In particular we were interested in determining whether there would be any impact on the integrity of New Zealand's tax system. Overall, information-sharing undertaken to address serious crime was found to be acceptable if that action was fit for purpose. Should the government proceed down this path, a number of concerns raised must be balanced. These include balancing the:

- individual's right to privacy with the social benefits to society;
- nature of the serious crime with the type and breadth of information requested;
- authority of the information with the ability of the Department to supply it; and balancing the
- intended and potential use of the information with the risk of error and its misuse.

It is clear that cross-government information-sharing to address serious crime is an all-of-government issue; it is not specific only to Inland Revenue. Legislation must underpin any fit-for-purpose information-sharing action and this should outline the permission, control, and transparency mechanisms the public requires.

Finally, tax secrecy does not appear to be a significant concern when considering Inland Revenue's involvement in cross-government information-sharing to address serious crime. However, the potential impact on citizens' trust in Inland Revenue and subsequent impact on the integrity of the tax system need to be considered. If Government communicates, on behalf of Inland Revenue, that specific taxpayer information will be shared under specific circumstances, both trust and integrity will be maintained in spite of selectively relaxing tax secrecy regulations to identify and stop serious crime.

Appendix 1. Methodology

The study employed a multi-method approach, using qualitative in-depth interviews and an online survey. The methodology is described below.

Interviews

Interviewing was selected to provide an in-depth and detailed understanding of different stakeholder groups' knowledge, attitudes, and perceptions in relation to cross-government information-sharing to stop serious crime. Opinions about any potential impact of information-sharing actions on the integrity of the tax system were also elicited from the interviewees.

The interview sample was a purposeful sample with selected representatives from the following sectors:

- senior staff of relevant government departments and agencies;
- senior stakeholders in the tax, law, media and information communication technologies fields; and
- members of the business community, including large enterprises, small-to-medium enterprises and across a variety of sectors and expertise.

A purposeful sampling approach was used to achieve comprehensive and knowledgeable responses of the subject area. A purposeful sample is not representative of the wider population and the findings should not be interpreted as being reflective of the general society.

Interview candidates from the government, academic, and tax and law sectors were selected by researching the websites of relevant government departments, industries, and academic programmes. Participants included chief executives, members of senior management teams, and senior academic staff. The tax agents and business community interview candidates were randomly selected from Inland Revenue's administrative data.

All potential interviewees were approached initially by Inland Revenue, to introduce the research topic, and then by Litmus⁴, to arrange the interview at a time and location convenient to the interviewee.

The 42 interviews (with 48 participants) were conducted either in person at the interviewees' place of work, at Inland Revenue or Litmus' offices, or by telephone. The interviews were completed during 29 May-29 June 2012, and conducted by trained researchers from Inland Revenue and Litmus.

The interview topic guide was designed jointly by the research team from Litmus and Inland Revenue. It incorporated four hypothetical information-sharing Scenarios designed to test the boundaries of information-sharing actions. To do this, the Scenarios purposely omitted detail and incorporated assumptions related to serious crimes, legislation, and the government departments and agencies involved. They were not intended to accurately reflect current or future information-sharing actions. A copy of the interview topic guide is attached (see Appendix 2).

⁴ Litmus is a market research provider.

Online survey

The online survey questionnaire was designed by the research team. It incorporated the four hypothetical information-sharing scenarios used in the qualitative interviews. A copy of the survey questionnaire is attached (see Appendix 3).

The survey sample was also a purposeful sample and included selected representatives from the same sectors as those for the interviews, with the addition of tax agents and intermediaries. The sampling lists of government officials, tax and law stakeholders, tax agents and intermediaries, and business respondents were supplied digitally by Inland Revenue.

The online survey was conducted between 18 June 2012 and 2 July 2012. The questionnaire was piloted with a small sample, before going live. The survey was open for three weeks and a total of four reminder emails were sent during that time.

Both the response and co-operation rates were calculated for this study. The online survey achieved an overall adjusted⁵ response rate of 71%. The co-operation rate is the number of people who, once contacted, were prepared to complete the survey. The overall co-operation rate for this survey is 87%.

The adjusted rates for the different respondent groups were:

- government – 82% (co-operation of 94%);
- tax and law stakeholders – 81% (co-operation of 95%);
- tax agents and intermediaries – 70% (co-operation of 87%);
- business community – 53% (co-operation of 69%).

As the population size of this purposeful sample cannot be determined, the margin of error calculation for a simple random sample has been used. There were 323 respondents to the online survey. The results have been weighted to a total sample size of N=500 to ensure statistically robust subsamples for the purposes of analysis and reporting. Results based on the (weighted) total sample are subject to a maximum margin of error of plus or minus 5.5% (at the 95% confidence level). Margins of error at both the 90%⁶ and 95% confidence levels have been applied to the different sample groups discussed in this report.

⁵ The online survey system was unable to separate non-response due to invalid email addresses from those who genuinely did not respond or who self-selected as not being the right person to complete the survey. The adjusted response rate therefore removes all non-responses from the total sample.

⁶ The maximum margin of error (simple random sample) at the 90% confidence level is 3.7%.

Appendix 2. Interview Topic Guide

Introduction and purpose

[5 minutes]

Introduce self/role, independent researchers, candid views all opinions correct, confidentiality/anonymity, one hour in duration, audio recording.

Inland Revenue has commissioned this research to uncover perceptions of the impact of cross-government information-sharing to stop serious crime, and the impact that might have on the integrity of the tax system. By integrity, we mean that the tax system operates well and taxpayers are willing to provide information to Inland Revenue and willing to pay their fair share of tax. We'll discuss this in the interview and we also want to identify and understand the areas of risk, as well as the tipping points. This will help us develop the right policies.

Respondent introduction

[5 minutes]

Tell me about your background and your current role or any other relevant experience?

Key question areas

[20 minutes]

[Introduce the list of definitions and allow interviewee to read through it]

What comes to mind straight away when you think about serious crime and sharing taxpayer information between government departments?

[For non-govt interviewees only] What do you think happens currently, and how do you feel about it?

- Is it acceptable? Is there enough sharing of information between departments? Is there too much sharing?

[For govt interviewees only] Tapping into your professional experience, what happens in your organisation with regard to sharing information between government departments to stop serious crime?

- In your experience, what works, and what doesn't?

Going to the extreme end, imagine a future state where all information about taxpayers and citizens is freely shared between government departments in order to identify and stop serious crime.

- What do you think about this?
- Would it be acceptable? Unacceptable?
- What would be the benefits for people and what would be the risks?
- Would people trust the government, do you think? Would people think the government was acting in their best interests by sharing the information?

So, let's come back a bit and think of the information Inland Revenue holds about a taxpayer. Inland Revenue needs this information to operate the tax system, and the law says that taxpayers have to provide it.

If Inland Revenue shared this information with another government department, to identify or stop serious crime, would that be wrong?

- Would it affect the integrity of the tax system, do you think? Could it improve it?
- Is there any information you think would be unacceptable for Inland Revenue to share with government departments to identify or stop serious crime? Why?
- *[Govt and Experts only]* Specifically, in what ways can taxpayers' rights to confidentiality and the information needs of Inland Revenue and different government agencies be managed? (Privacy Act & tax secrecy laws)
- What is the balance between society and individuals in sharing information to stop serious crime?

Hypothetical scenarios

[30 minutes]

OK, you've talked about your view of where information is, or could be, shared between government departments to stop serious crime. Let's look at some specific examples that involve sharing the information about taxpayers that Inland Revenue holds, and discuss how these examples might affect your perception of the Department and the tax system.

For each, we're going to consider if they enable or erode the integrity of the tax system and we'll discuss any elements that might be tipping points where sharing becomes more or less acceptable given the circumstances described.

- How does this scenario affect the integrity of the tax system? Does sharing information between the government agencies help or undermine the tax system? Why?
- In this scenario, under what circumstances do you think it is acceptable and not acceptable for taxpayer information to be shared?
- Does the type or nature of the crime matter? What happens if the crime involves hurting someone?
- What about how the crime was discovered in the scenario, and how it was escalated? What are the issues there?
- What do you think about the direction of the sharing in the scenario? Does it matter which government department or agency asks for it first?
- What about the type of taxpayer information that gets shared in the scenario?

Card sort

Finally, here are some elements of information that Inland Revenue holds about taxpayers. Can you please sort them according to those that you feel would be acceptable for Inland Revenue to share with another government agency to stop serious crime, and those that you feel would be unacceptable?

[Standard thanks, and close]

Section 5. Appendix 3. Online Survey

Survey introduction

Litmus is an independent research and evaluation company. Inland Revenue has commissioned Litmus to survey academics, the business community, and Government.

The purpose of this survey is to understand people's views on when it is acceptable for government departments to share information to stop serious crime, and understand how the 'integrity of the tax system' might be affected. By the integrity of the tax system, we mean:

How well the tax system operates in general, how willing taxpayers are to provide Inland Revenue with the information it needs, and how willing taxpayers are to meet their tax obligations.

Your response to this survey is confidential. Your views will be grouped anonymously with others in the final report to Inland Revenue.

The survey will take about fifteen minutes to complete.

The survey must be completed in one sitting. Once the survey window is closed, you will not be able to return to it. We'd appreciate your response by Monday 25th June.

If you have any questions about the research itself or the survey, please contact janette@litmus.co.nz, ph: 04 473 3883.

Section 1: Scenarios

Here are four hypothetical scenarios that have been specially developed to help us understand when you think sharing information to stop serious crime is acceptable or not. Please answer the questions about each scenario.

[Rotate scenarios]

Scenario 1

Imagine Raj is one of Inland Revenue's audit staff. During his audit of Company C, he found information that the company is obtaining property from crime. Inland Revenue notifies the Police.

The Police ask Inland Revenue for the information Raj collected from the audit, including its accounts and lists of its suppliers and clients. Inland Revenue also gives the Police the last five years of tax and financial data it has on the company.

The Police also ask Inland Revenue for the names, addresses, and the tax and financial details of the company directors, its employees, and clients.

Q1. How comfortable are you with information being shared in this scenario?

| 1 | 2 | 3 | 4 | 5 | 6 |
|------------------------|---|---------------------------------------|---|-----------------------|--------|
| Not at all comfortable | | Neither comfortable nor uncomfortable | | Extremely comfortable | Unsure |

Q2. How much do you agree or disagree with the following...

| 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------|---|----------------------------|---|----------------|--------|
| Strongly disagree | | Neither agree nor disagree | | Strongly agree | Unsure |

[Rotate]

- ...that Inland Revenue should notify Police about a crime it finds during a tax audit
- ...that Police ask Inland Revenue for information about the company to help it investigate the crime
- ...that the company's accounts should be given to Police
- ...that lists of the company's suppliers should be given to Police
- ...that lists of the company's clients should be given to Police
- ...that the company's last five years of tax and financial data should be given to Police
- ...that the names and addresses of the company directors should be given to Police
- ...that the names and addresses of the company's employees should be given to Police
- ...that the names and addresses of the company's clients should be given to Police
- ...that the tax and financial details of the company directors should be given to Police
- ...that the tax and financial details of the company's employees should be given to Police
- ...that the tax and financial details of the company's clients should be given to Police

Q3. Thinking about how sharing information in Scenario 1 would affect the overall integrity of the New Zealand tax system, in your opinion, would it...

- 1-Improve the integrity of the tax system
- 2-Have no impact on the integrity of the tax system
- 3-Have a negative impact on the integrity of the tax system
- 4-Unsure

Scenario 2

To investigate and stop an international money laundering ring, imagine that a taskforce is formed. The taskforce includes staff from:

- the Police;
- the Serious Fraud Office;
- Customs;
- Ministry of Economic Development; and
- Inland Revenue.

The taskforce investigates New Zealand taxpayers that set up and sell companies to people in New Zealand and in Australia.

The members of the taskforce are asked to share information they hold about the taxpayers and companies that are being investigated.

Inland Revenue has information about the taxpayers and companies being investigated. This includes the names, addresses, and tax and financial details of all the individuals involved in the companies under investigation.

Inland Revenue shares this information with the members of the taskforce.

The taskforce passes this information to the Australian Police who are targeting individuals linked to the ring in Australia.

Q4. How comfortable are you with information being shared in this scenario?

| 1 | 2 | 3 | 4 | 5 | 6 |
|------------------------|---|---------------------------------------|---|-----------------------|--------|
| Not at all comfortable | | Neither comfortable nor uncomfortable | | Extremely comfortable | Unsure |

Q5. How much do you agree or disagree with the following...

| 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------|---|----------------------------|---|----------------|--------|
| Strongly disagree | | Neither agree nor disagree | | Strongly agree | Unsure |

[Rotate]

...that all members of the taskforce should share information they hold on the taxpayers and companies being investigated

...that Inland Revenue should share the information it has about the taxpayers and companies being investigated

...that Inland Revenue should share the names and addresses of the taxpayers under investigation

...that Inland Revenue should share the names and addresses of the companies under investigation

...that Inland Revenue should share the tax and financial details of the taxpayers under investigation

...that Inland Revenue should share the tax and financial details of the companies under investigation

...that the taskforce should pass information about these New Zealand taxpayers and companies to the Australian Police for their investigation

Q6. Thinking about how sharing information in Scenario 2 would affect the overall integrity of the NZ tax system, in your opinion, would it...

- 1-Improve the integrity of the tax system
- 2-Have no impact on the integrity of the tax system
- 3-Have a negative impact on the integrity of the tax system
- 4-Unsure

Scenario 3

Research has shown that people who evade tax also break other kinds of laws.

Imagine that, as part of its work to stop tax evasion, Inland Revenue develops a way to score how likely a taxpayer is to evade tax.

Inland Revenue shares the scores for each taxpayer with the Police.

The Police combine the scores with their own information to develop a profile of people most likely to commit a serious crime in New Zealand.

Q7. How comfortable are you with information being shared in this scenario?

| 1 | 2 | 3 | 4 | 5 | 6 |
|------------------------|---|---------------------------------------|---|-----------------------|--------|
| Not at all comfortable | | Neither comfortable nor uncomfortable | | Extremely comfortable | Unsure |

Q8. How much do you agree or disagree with the following...

| 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------|---|----------------------------|---|----------------|--------|
| Strongly disagree | | Neither agree nor disagree | | Strongly agree | Unsure |

[Rotate]

...that Inland Revenue should score the risk of tax evasion of each taxpayer

...that Inland Revenue should share the scores for each taxpayer with the Police

...that the Police should use the scores to develop a profile of New Zealand citizens

Q9. Thinking about how sharing information in Scenario 3 would affect the overall integrity of the NZ tax system, in your opinion, would it...

- 1-Improve the integrity of the tax system
- 2-Have no impact on the integrity of the tax system
- 3-Have a negative impact on the integrity of the tax system
- 4-Unsure

Scenario 4

To investigate compliance patterns, Inland Revenue has expertise in finding the links between taxpayers.

Imagine that the Department of Internal Affairs (the DIA) is investigating a ring of sex offenders who are trading photographic material.

The DIA asks Inland Revenue to use its expertise and tax information to find the connections between the people they are investigating. The DIA also asks Inland Revenue to see if these people are strongly connected to anyone else. Inland Revenue shares the results with the DIA.

Q10. How comfortable are you with information being shared in this scenario?

| 1 | 2 | 3 | 4 | 5 | 6 |
|------------------------|---|---------------------------------------|---|-----------------------|--------|
| Not at all comfortable | | Neither comfortable nor uncomfortable | | Extremely comfortable | Unsure |

Q11. How much do you agree or disagree with the following...

| 1 | 2 | 3 | 4 | 5 | 6 |
|-------------------|---|----------------------------|---|----------------|--------|
| Strongly disagree | | Neither agree nor disagree | | Strongly agree | Unsure |

[Rotate]

...that the DIA asks Inland Revenue to use its expertise to find the links between the people they are investigating

...that Inland Revenue uses its own tax information to see if the people the DIA is investigating are linked

...that the DIA asks Inland Revenue to use its expertise to find the links between the people they are investigating and any others

Q12. Thinking about how sharing information in Scenario 4 would affect the overall integrity of the NZ tax system, in your opinion, would it...

- 1-Improve the integrity of the tax system
- 2-Have no impact on the integrity of the tax system
- 3-Have a negative impact on the integrity of the tax system
- 4-Unsure

Section 2: Information Types

Q13. For each of the following types of information Inland Revenue holds about a taxpayer, please indicate which types you feel would be acceptable to share between government departments in order to stop serious crime ...

[Rotate]

| | |
|---------------------------|--------------------------------|
| Name | Date of birth |
| Postal address | Residential address |
| Sex | Ethnicity |
| Salary and other income | Expenses claimed |
| Employment status | Type of business or employment |
| Child support information | KiwiSaver information |
| Student loan information | Tax debt |
| Name of their employer | Work address |
| Suppliers | Clients |
| Trusts | Trustees |
| Bankruptcy | Company director/s |
| GST paid | GST owed |
| Business size | Business turnover |
| Employees | Phone number/s |
| Email address | Children |
| Spouse | Relatives |

- Yes - acceptable to share
- No – not acceptable to share
- Unsure
-

Section 3: About you...

Q14. Are you?

- Female
- Male

Q15. Which age group do you fall into?

- Under 30 years
- 30 – 39 years
- 40 – 49 years
- 50 – 59 years
- 60 years or more

Q16. Which of the following describes the sector where you work?

- Government sector
- Academic
- Commercial/business

Q17. And finally, are there any other comments you wish to make? Please type in the box below.

[Standard thanks, and close]

Appendix 4. Demographic and Comfort Profiles of Survey Respondents

Demographic profile

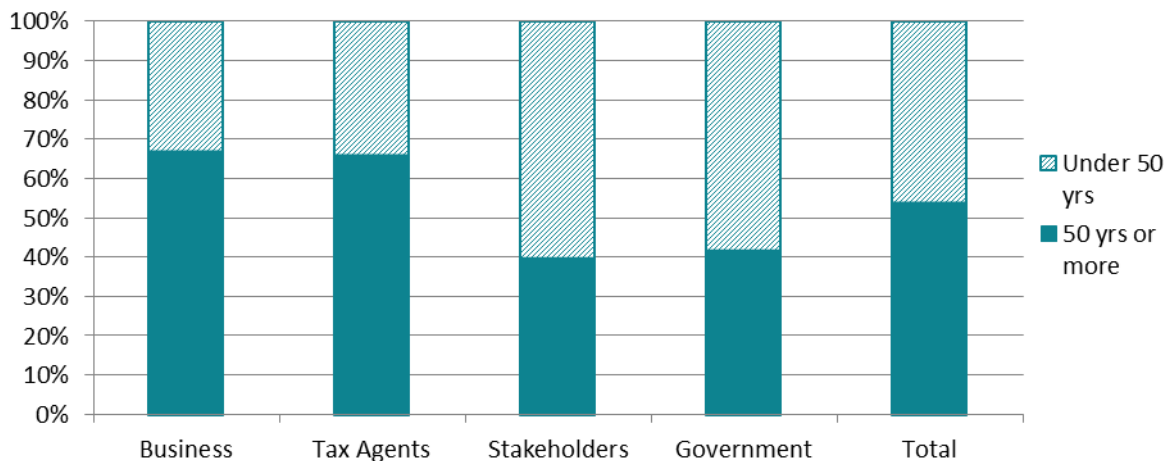
The demographic profile of respondents to the online survey is considered to be representative of the purposeful sample described in the Methodology (see Appendix 1). The results may be summarised as follows:

- just over two thirds (69%) of the respondents were male; and
- respondents represented an older work force, with slightly more than half (54%) of all respondents being aged 50 years and over.

Figure 15: Sex of respondents



Figure 16: Age of respondents



Significant differences in age were observed between respondent groups; with respondents from the tax agent and/or intermediaries and business groups being significantly more likely to be aged 50 years or more compared with those from the government and tax and law stakeholder groups.

There were no significant age differences between male and female respondents.

Comfort segmentation profile

The survey data was further segmented by respondents' degree of comfort with information-sharing as described in the four hypothetical Scenarios presented in the online survey. Three broad groups emerged:

- Comfortable with all – comprising survey respondents who indicated they were comfortable with the information-sharing action in all four Scenarios presented.
- Not comfortable with any – comprising respondents who indicated they are not comfortable with the information-sharing action in any of the Scenarios presented.
- Depends – comprising those whose responses varied between comfortable or not comfortable, depending on the Scenario presented. This was the largest group of respondents.

The results are summarised below, and represented in graph form on the following pages.

Respondents 50 years of age or older were significantly more likely to be comfortable with all Scenarios presented (26%, compared with 18% for those aged under 50 years).

The relationship between the respondents' comfort ratings and their ratings of the acceptability of the components in the Scenarios is almost linear. That is, those who indicated they were comfortable overall with the information-sharing presented in each Scenario tended to agree with the components of the Scenarios. This was also the case for those who indicated they were not comfortable; these respondents tended to disagree with all the components presented.

There were no significant differences between male and female respondents.

Figure 17: Comfort segment by respondent sex

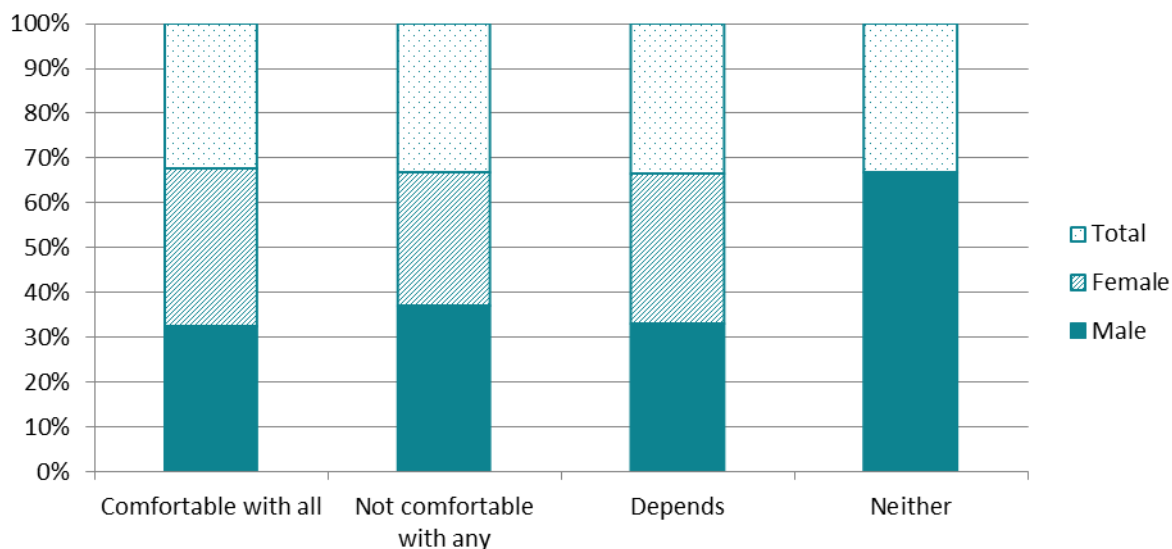
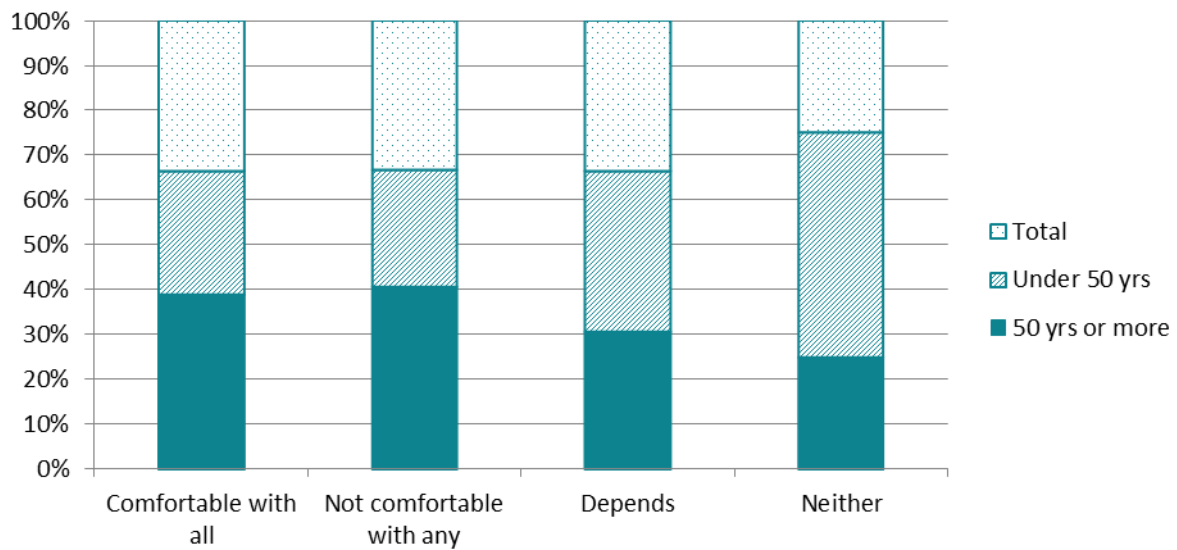


Figure 18: Comfort segment by respondent age



Younger respondents were significantly more likely to vary their comfort ratings, depending on the conditions of the Scenario (73%, compared with 63% for those aged 50 years or more).

Respondents from the tax and law stakeholder group were significantly more likely to indicate they were not comfortable with any of the Scenarios presented than government or business groups (13%, compared with 5% and 6% respectively).

Respondents from the government group were significantly more likely than those in the tax and law stakeholder and tax agent groups to vary their comfort ratings, depending on the conditions of the Scenario (76%, compared with 60% for stakeholders and 64% for tax agents).

Results by group are presented in Figure 19 (below).

Figure 19: Comfort segment by respondent group

