

Business Transformation: Introduction to Stage 4

Webinar for tax intermediaries



Rochelle Cole
External Relationship
Manager

Rochelle is an External Relationship Manager focussing on bookkeepers, tax agents and their professional bodies. In her 12 and a half years at Inland Revenue, she has had a variety of roles most involving working with intermediaries. Rochelle is based in Wellington and spends a great deal of time talking to intermediaries across the country, gathering feedback to help us improve the business transformation journey.



Sophie Smith
External Relationship
Manager

Sophie is an External Relationship Manager focussing on tax agents and their professional bodies. Sophie joins us as a SME from Business Transformation where she has spent the last 2 years understanding and representing the stakeholder voice internally to assist and inform on business transformation design and build.

Questions?
webinar.questions@ird.govt.nz

Greetings everyone, and welcome to this short presentation introducing Stage 4 of Inland Revenue's Business Transformation.

My name is Rochelle Cole, and joining me today is Sophie Smith. We're both External Relationship Managers at Inland Revenue, working with tax intermediaries and professional bodies from around the country.

This presentation provides a high level overview of the next round of changes that will occur over the next 12 months, some of which may affect you.

Please note that the content is correct as of November 2020 and some details may change.

If you have any questions arising from this webinar please send them to webinar.questions@ird.govt.nz.

Remember that if you have specific questions about your, or a client's, account, please send them via myIR.

- The final stage of the Business Transformation journey
- Some products in the first release only impact limited customers
- Two releases to be delivered in 2021 – no single April release
- Release 1 – to be delivered on **1 March 2021**
 - Paid Parental Leave
 - New Zealand Foreign Trusts
 - Unclaimed Money
 - Duties (Lotteries Duty, Casino Duty and Totalisator Duty)
- Release 2 – to be delivered around **October 2021**
 - Child Support
 - An upgrade to a new version of myIR

To be confirmed

- The timing of the second release
- Legislative changes
- Scope and details around design

As you know, over the last four years we have been implementing our business transformation. Far more than a computer system upgrade, we've made changes to policy, legislation and business processes, along with the design and structure of our organisation. It's about simplifying how we deliver services to make tax and social policy fit seamlessly into people's lives.

We promised to deliver business transformation in four stages across a series of releases. We are now in the final phase which includes moving the remaining products into our new system.

So what's coming up next?

Stage 4 is a little bit different from what's come before. Previously, our major releases have aligned with the beginning of the tax year in April. Given the impacts of COVID-19, a single large release in April 2021 isn't possible so the changes are being implemented progressively.

The first release will go live on 1 March 2021. This release includes:

- Paid Parental Leave
- New Zealand Foreign Trusts
- Duties (Lotteries Duty, Casino Duty and Totalisator Duty)
- Unclaimed Money

The second release, which includes child support and an upgrade to myIR, is planned for October 2021.

Some products include legislation change. Our proposed policy changes won't be finalised until the legislation is passed.

Before we go through the changes being implemented as part of Stage 4, we recognise that with the impacts of COVID-19, it is a difficult time for all New Zealanders. Maintaining the pace of IR's transformation remains important, as it helps us to respond swiftly and to meet customer's needs. We will continue to help businesses and individuals experiencing financial pressures during COVID-19.

Customers & stakeholders

Many customers and stakeholders will only be interested in specific products.

Tax intermediaries may be most interested the changes for NZ Foreign Trusts and the myIR upgrade.



164,000
parents who pay child support
135,000
receiving parents and carers



34,749
paid parental leave recipients



814
organisations sent unclaimed monies to IR in recent years



nearly **3.7 million**
users of myIR



2,820
active NZ Foreign Trusts



8
stakeholders involved in duties

The products are varied and some will only impact very small and specific groups of customers.

As tax intermediaries you may be most interested in the changes for:

- New Zealand Foreign Trusts – if you are a trustee or have clients who are New Zealand Foreign Trusts.
- The myIR upgrade - how much this impacts you will depend on the extent you use it and the complexity of your organisation.

There are also some other changes that will take place during Stage 4 but not as part of the two core releases.



In this presentation we will briefly introduce you to the key changes.

We will also communicate more information as the proposed changes are finalised and implemented.

Release 1: 1 March 2021

Our main focus for now is Release 1. We'll quickly go through a high level overview of the changes.

We are:

-  **Moving away from** a highly a manual process with a lot of IR intervention and interaction
-  **Moving towards** greater automation and a customer self-service approach

Customers will be able to:

- Register and deregister online
- Manage their NZFT (FTR) account in myIR
- File their annual return via myIR
- View previously filed returns in myIR
- Have multiple online fee payment options – to use these will require the NZFT to have an IRD number
- Manage connected persons details in myIR

Intermediaries will also be able to (under the Tax preparer tab):

- Link to their clients' NZFT (FTR) accounts like they do for other accounts
- Register an entity for FTR

Note that the FTR account will be auto linked when registered from Tax preparer tab

If a customer is already registered as an NZFT, IR will set up their FTR account in myIR automatically. NZFT customers will be able to access this from early March.

www.ird.govt.nz/foreign-trust-changes

The changes will impact all New Zealand Foreign Trusts but we will work most closely with those who manage multiple trustee companies as well as tax agents for those trusts.

New Zealand Foreign Trusts are foreign trusts that have a New Zealand resident trustee. They are required to register and file annual returns with IR to remain classified as a New Zealand Foreign Trust. This isn't changing.

What is changing is that we are moving away from a highly manual process, with a lot of IR intervention and interaction, to more automation and a customer self-service approach. This means:

- Moving to digital channels for providing and managing information
- Reducing manual handling and improving processing of information

The changes mean customers will be able to:

- register as a NZ Foreign Trust through myIR or via our website
- see and manage their NZ Foreign Trust (FTR) account in myIR
- file their annual return via myIR
- view previously provided foreign trust information including filed returns
- have multiple online fee payment options including MyPayTax
- Manage connected persons details

Intermediaries will also be able to:

- Link to their clients' NZFT (FTR) account like they do for other accounts

- Register an entity for FTR under the tax preparer tab in myIR
- Note that the FTR account will be auto linked when registered from Tax preparer tab

If a customer is already registered as an NZFT, we'll set up their foreign trust (FTR) account in myIR automatically. NZFT customers will be able to access this from early March.

Next steps

- We will be in touch in early 2021 to explain what NZFTs need to do, including setting up, and linking to your NZ Foreign Trust (FTR) accounts in myIR.
- Using the new payment options will require NZFTs to have an IRD number. We encourage them to get one ahead of the filing due date.
- To file their NZ Foreign Trust annual returns online, NZFTs need to be set up in myIR ready for their first filing date. We are asking them to contact us if this would cause them any difficulty.

What's changing?

- Improved digital processes for organisations sending IR information and money
- Legislation modernised including:
 - reduced time before money becomes unclaimed
 - removing the need for organisations to have a public register
 - allowing holders to pass the funds to IR before they've held it for 5 years in some situations
 - not requiring holders to collect occupation information
 - requiring holders to provide more information, where they hold it
- There will be a two year transitional period

www.ird.govt.nz/unclaimed-money-changes



Includes legislative change

What is unclaimed money? It is:

- Money which has been left untouched by its owner for either 6 years or 25 years (the length of time depends on the type of money); and the person or organisation holding the money has been unable to contact the owner.
- Inland Revenue administers unclaimed money that is subject to the Unclaimed Money Act 1971.
- If you have clients who are holders of unclaimed money, you may be interested in these changes although there is little you need to do. The key things you will need to know are:
- There will be a new account type called UCM
- If you have one, your tax agent will be able to link to your UCM account as normal. As usual they will be required to have the authority to act

What's changing?

We're moving unclaimed money into our new system. This is a move away from the current, predominantly paper-based, processes and towards managing unclaimed money in secure electronic channels. This, along with proposed legislative changes will modernise the administration of unclaimed money.

If you're an existing unclaimed money holders this means:

- You will have a UCM account created for them automatically at go-live.
- You will be required to manage their unclaimed money (UCM) account in myIR - it will allow them to submit their schedules under their IRD number, make payments and view previously submitted schedules in myIR.

- You will be required to send their UCM information and payment electronically in a standard format. The new schedule process will allow them to either file onscreen or upload their file in myIR. As a reminder, since 1 March 2020, we no longer accept cheques.
- As there is a standard format, holders are likely to be contacted less often by IR. If we do contact them, it is more likely to be through myIR. The email address currently used to send schedules/communicate to Inland Revenue will be shut down, but they will be able to contact us by web message through myIR.
- Overall, UCM holders will have greater visibility of the information and payments they have made to Inland Revenue for unclaimed money.

Legislative changes include:

- reducing the time before money becomes unclaimed (down to five years). In situations where it is more efficient for Inland Revenue to seek the owner of the funds, some holders may be able to pass the funds to Inland Revenue before the 5-year period has passed. Further guidance on this will be released in a Tax Information Bulletin.
- removing the need for organisations to hold a physical register of UCM or make this available to the public.
- In situations where, for example, a holder has money for a former client, and the holder has made 'reasonable efforts' to locate the client, they may be able to pass the funds to Inland Revenue before the 5-year period has passed.
- holders will no longer be required to collect occupation information
- holders will be required to supply IR with other identifying information they may collect during the normal course of their business, including but not limited to, IRD numbers – but only if they are required to have them for tax purposes - email addresses, telephone numbers and addresses, including addresses which are old or invalid as these are helpful for us when people are claiming the money.

There will be a transitional period. Money older than five years, is subject to the 2-year transitional period, but money that reaches the five-year mark after the legislation comes into effect will need to be passed to IR within the proposed new timeframe.

As is current practice where the amount of UCM does not exceed \$100, holders will not be required to pay it to IR. Money below \$100 can be donated, if retained by the holder organisation for its own benefit. It is important to note that IR has issued a public ruling that says that amount counts as income.

Holders may also need to adapt their business processes to fulfil their obligations e.g. it will be easier to upload their unclaimed money through managing it within myIR.

What's changing?

- Better self-management services and visibility in myIR
- Improved application processes through myIR (over the phone by exception)
- Automated processing of payments to customers
- The payment day will move from Thursdays to Tuesdays
- Enable better use of information to help prevent overpayments
- Using current information means we won't need to contact employers to verify applicant's information



Includes regulation change

You are less likely to deal with Paid Parental Leave (PPL) so we'll just provide a quick outline:

Moving PPL into our new system means it will no longer have its own stand alone processes. There are a number of benefits to this including:

- Better self-management services in myIR. For example, customers can submit applications and update their circumstances via digital channels. They will also be able to request transfers of entitlements to a partner, in myIR.
- Improved application processes:
 - Replacing paper application with digital channels - this means customers will be able to apply online and the application form will pre-populate with any information held by IR, including employer details and tax code, and will not require verification by their employer.
 - There will be a phone channel for those without internet access.
- The new system allows for automated processing of payments and disbursements.
- The payment day will change from Thursday to Tuesday.
- You won't be able to link to PPL but if you have a client who wants help with their PPL, they can set you up as a Nominated Person.

These changes only really affect current PPL customers. Future customers will just use the new processes. We believe that customers will appreciate the information being readily available to them and the ease in which they can advise IR of changes.

What's changing?

- Moving to digital channels for filing and managing information
- Automated processing
- Impacts Lottery Duty, Casino Duty and Totalisator Duty



Very few customers are impacted by the changes to duties and we are working directly with each of them - these are payers of lottery, casino and totalisator duties and the Problem Gambling Levy. Again, these changes won't impact tax intermediaries so we'll keep it brief.

As with other changes, the move into our new system will streamline and simplify duties. The changes will:

- enable myIR account access and more customer self-management.
- enable digital channels for receiving and distributing information and money.
- allow for automated processing of returns, payments, P&L, credit offsetting, disbursements and reconciliations.

If you do act on behalf of these entities now, or in the future, you will be able to link to their duties accounts.

Release 2: October 2021

That rounds out our products for Release 1, so now let's look at what could be changing for you or your customers with our second release – this is currently planned for October 2021, but the timing is still to be confirmed.

What's changing?

The design is still in development. Changes are expected to include:

- Improved self-management services in myIR
- Streamlined processing and some processes automated
- Modernised information sharing with other government agencies.
- Payment of child support from salary and wages will become compulsory
- International Child Support better integrated into IR's core systems



Includes legislative change

Child Support will be moving in to our new system.

There is also a Child Support Amendment Bill that was introduced to parliament in March 2020. It includes a number of proposed amendments to improve fairness, simplify aspects of the Child Support scheme and improve compliance.

For your clients who are child support customers, the proposed changes include:

- Improved self-management services in myIR
- Streamlined processing and some processes automated
- Modernised information sharing with other government agencies.
- Payment of child support from salary and wages will become compulsory
- International Child Support will be better integrated into IR's core systems
- There will also be new functionality for contracted lawyers who conduct administrative reviews.

The design is still in development and we will be communicating with impacted customers as it is finalised.

You still won't be able to link for child support but if you do have a client who wants your help, they can set you up as a Nominated Person (NOP). If you are already a NOP, you will be able to access your client's myIR.

What's changing?

- Upgrading to a new version of myIR. The changes will include:
 - better functionality
 - improved navigational structure
 - cleaner, modern and consistent look and feel
 - All functionality available on any device (e.g. tablets, mobile phones)



In our second release we will also be upgrading to a new version of myIR. This change will impact all customers who use myIR. As high users of myIR, this will be of particular interest to tax intermediaries.

Upgrading myIR will result in:

- better functionality
- enhanced security
- improved navigational structure, and
- a new look and feel.

The upgrade will also mean that customers can access all myIR functionality on any device, this could be a game-changer for customers that can only access myIR from a mobile phone.

There will be some changes to the way you do things. We have already included some tax intermediaries in our early testing. We will be talking to you about the specific changes in more detail as the designs are developed.

Further changes during Stage 4

Before we finish, we'll just touch on a few broader changes of interest to you. There are a number of other, often smaller, changes that we will introduce in coming months. Like Releases 1 and 2, these will impact different, and often very specific, customers.

What's changing?

- E-File will be decommissioned on 16 April 2021
- Returns can be filed through E-File up until 16 April 2021
- It will be replaced (and enriched) with new Gateway Return Services
- Software providers are selecting which aspects to build to meet the needs of their customers
- We are working closely with software providers to ensure a smooth transition



If you have questions, please check with your software provider to understand what these changes mean for you

- E-File will be decommissioned on 16 April 2021. This change impacts tax agents who currently use E-File.
- Returns can be filed through E-File up until 16 April 2021, but we'll be encouraging tax agents that use E-File to file their clients' tax returns before 31 March 2021.
- E-File functionality is being replaced with an array of IR's new Gateway Return Services which software providers are building into their systems. They have been designed to improve customer experience, providing similar functionality as E-File but also a lot more. For example:
 - we can pre-populate the information we already hold in returns
 - you can upload and send supporting documents to us when filing a return
 - some of the feedback we've had from intermediaries about things that could be improved are addressed, such as allowing up to 20 transfers on a return.
- We have been working closely with the Software Providers for a considerable time to ensure a smooth transition from E-File to Gateway Services.
- We've already delivered all of the E-File replacement products and the software providers are selecting which aspects to build before E-file is decommissioned, focusing on those that are most critical for their customers.

If you have any questions please talk to your software provider about the functionality that will be available to you.

What's changing?

- New filing format (Version 2) of Employment Information and Employment Services will become mandatory after 1 April 2021.
- The changes will likely be catered for by your software provider.
- Most changes are on the file-upload format as the file now contains more KiwiSaver information.
- Amendments to EI will have to be made using the same version as the original file.



If you have questions, please check with your payroll software provider to understand what these changes mean for you

Moving employers to Version 2 of the Employment Information (EI) and Employment Service will cater for some changes in the fields and forms. This will become mandatory after 1 April 2021.

We are working closely with software providers on making the changes.

As we move away from paper forms and into solely digital design, we are far less constrained. For employers and intermediaries you will see some enhancements in payday filing. For example:

- The employee details form and KiwiSaver forms are being combined so there will be fewer forms and less duplication of information.
- It will be easier to see, keep track of and update employee deductions.

A key thing to note is that amendments to EI will have to be made using the same version as the original file. So if you filed a return using Version 1, you can only amend it using Version 1 of the file format.

Specific changes for employers will depend on their software provider. If employers have any questions they should check with their provider on the details and how it affects them.

Version 2 changes to the EI return:

- New optional fields: Hours Paid and Prior Period Adjustments
- New fields on each row for special deductions

Version 2 changes to the employee details process:

- Changes to KiwiSaver Status Codes – fewer and improved.
- No longer need to update IR on KiwiSaver Savings Suspension start and finish
- KiwiSaver exempt income indicator on 'Create' only

Gateway Services only

- There is a change in the amendment timing between EI V1 and EI V2.

Other changes

- Voluntary KiwiSaver contributions included on the EI will be subject to penalties and interest if unpaid.



If you have questions, please check with your payroll software provider to understand what these changes mean for you

Here are some of the main changes

Version 2 changes to the EI return

- There are some new optional fields: Hours Paid and Prior Period Adjustments. For Prior Period Adjustments, there are new fields you can use for errors in past returns which affect the gross income and PAYE deductions you originally filed. These fields let you make the adjustments in the current return rather than going back and amending the earlier return. There are some rules around when you can use these fields and when you must go back and amend your earlier return. If you are allowed to use these fields, you can still choose to amend your previous returns if you want to.
- There will be new fields on each row for special deductions (eg voluntary and compulsory extra student loans deductions and employee share scheme benefits). This means you won't need to add extra lines into your EI for these deductions.

V2 changes to the employee details process

- There are changes to KiwiSaver Status Codes – they will be fewer and improved.
- You will no longer need to update IR on KiwiSaver Savings Suspension start and finish.
- The KiwiSaver exempt income indicator only needs to be applied on the 'Create' function – if this changes you can update via a phone call, otherwise IR will contact you.

Gateways Services only

In Gateway Services there is a change between EI version 1 and EI version 2.

- In EI v1, a return can be filed and then immediately amended after receiving a successful response.
- In EI v2, a return must be *processed* in order to be amended. Returns should process within 5 minutes, if they conflict with our batch processes this may take longer.

Other

- Any voluntary KiwiSaver contributions included on the EI will be subject to penalties and interest if unpaid.

What's changing?

- Example of proposed further changes include:
 - KiwiSaver
 - Student Loans
 - Working for Families
 - Further Child Support change
 - Refundability of PIE tax

There are a number of smaller changes currently proposed. For example changes to:

- KiwiSaver: proposed legislation change means we would apply the same penalty and interest rules to voluntary employer KiwiSaver contributions as apply to compulsory contributions.
- Student Loans: phone services have been updated for student loan customers, making it easier for overseas based borrowers to call us.
- Working for Families: there is a proposed legislation change to enable the In-Work Tax Credit component of Working for Families to continue to be paid in the first two weeks of a customer being out of work.
- Child Support: proposed further changes include repealing the incremental penalty charged on child support amounts not paid on time, and simplifying child support penalty write-off rules.
- Refundability of PIE tax: this is a proposed change to enable overpaid tax on Portfolio Investment Entity (PIE) investment income to be refunded as part of a customer's individual income tax assessment.

Most of these changes are legislative proposals currently in Bills before the House. Once passed, it is planned that they will be implemented throughout Stage 4.

We will describe these further as the changes are confirmed and developed. As with other products we will target our communications to those customers who are impacted.



Inland Revenue
Te Tari Taake

Transitioning

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

Since the start of the Programme in 2015 we will have:

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

We will leave behind:

- a system that is agile and responsive to New Zealand's needs – as proven through our COVID-19 responses
- an organisation that works together better to improve outcomes for customers
- our knowledge, practices and processes.



We have been transforming New Zealand's revenue system in what has been one of the largest and most ambitious programmes ever undertaken in the southern hemisphere. We've changed every aspect of the way we operate and have kept collecting tax and paying entitlements while doing so. Now, after four years of transformation, we're on the home stretch.

At the end we will have:

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

Stage 4 is the final stage of our transformation programme.

- At the end of it we will leave behind a system that is agile and responsive to New Zealand's needs – as proven through our COVID-19 relief responses.
- Over the coming months we'll be bringing together our data, analytics, information and knowledge streams into a cohesive system. This will help IR make faster and better decisions for our customers with a lot less effort.
- We're also transitioning the programme's knowledge, practices and processes to the business to allow us, as an organisation, to progressively take over the controls and enable the programme to wind down and close out.

We'd like to acknowledge the amount of change our customers have managed so well over the course of this transformation. It isn't always easy - a better system

and improved processes still require learning and adjustment. Even more so, more recently, doing it during the COVID-19 pandemic.

We'll keep you updated on the next changes and our transition to business-as-usual over the course of Stage 4.

[IN CONFIDENCE]



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Thank you.

webinar.questions@ird.govt.nz

Thank you for watching this webinar. We'll be producing more, covering some of the products in more detail as we get closer to implementing the changes. We'll let you know when these become available.

Remember if you have any questions about this webinar please email:
webinar.questions@ird.govt.nz