



**Inland Revenue**  
Te Tari Taake

19 January 2023

Dear [REDACTED]

Your request, made under the Official Information Act 1982 (OIA) to the Department of Internal Affairs, has been transferred to Inland Revenue. We received your OIA request on 21 December 2022.

You requested:

*Direction sent to financial institutions in FY 21-22 require them to add/correct/update IRD numbers on their customers' behalf. Format Required:*

- 1) *Original Templates*
- 2) *Sample, if available*
- 3) *Relevant guideline/direction/operation manual*

*Include attachment to any of above.*

**Question 1: Template for customer IRD number updates**

A template of the spreadsheet Inland Revenue sent to banks, providing taxpayers' correct IRD numbers, is attached. The template is released to you in full.

**Question 2: Sample of template for customer IRD number updates**

The spreadsheet Inland Revenue sent to banks contained confidential information, such as taxpayer names, dates of birth and IRD numbers. A sample of the spreadsheet is therefore considered to be sensitive revenue information under section 18 of the Tax Administration Act 1994 (TAA). Sensitive revenue information can only be released in certain circumstances, as set out in sections 18D to 18J and schedule 7 of the TAA. In this case, there are no exceptions that permit me to release this information to you.

This part of your request is therefore refused under section 18(c)(i) of the OIA, as releasing the information would be contrary to section 18 of the TAA.

**Question 3: Direction to banks about updating customer IRD numbers**

Inland Revenue sent the memo *Improving IRD number data quality* to banks in the 2020–21 and 2021–22 financial years.

The memo *Improving IRD number data quality* is attached and released to you in full.

**Rights of review**

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email: [CommissionersCorrespondence@ird.govt.nz](mailto:CommissionersCorrespondence@ird.govt.nz).

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman at: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

**Publishing of OIA response**

Please note that Inland Revenue regularly publishes responses to requests that may be of interest to the wider public on its website. We consider that this response is of public interest so will publish this response in due course. Your personal details, or any information that would identify you, will be removed before it is published.

Thank you for your request. I trust that the information provided is of assistance to you.

Yours sincerely



Tony Morris

**Customer Segment Leader - Significant Enterprises**

Account / Reference Number    Street    Suburb/City    Original IRD    Correct IRD    Date of Birth    name

Released under the OIA

## IMPROVING IRD NUMBER DATA QUALITY

Investment Income Reporting returns submitted by payers to Inland Revenue include IRD numbers for income recipients as a data point. The IRD number included is used to allocate the reported investment income to the income profile of the recipients.

In many of the investment income returns submitted, the IRD number of the recipient is either missing or incorrect. This leads to situations where the income is either missing from the recipient's income profile or attributed to the incorrect tax payer.

To ensure we have the reported income attributed to the correct recipient, it is our intention to help investment income payers improve the quality of the IRD number data. This will be done by providing the payer (banks in the first tranche) with two reports –

- a missing IRD number report (identified as 16/11/2020); and
- an incorrect IRD number report (identified as 17/11/2020)

The reports will be restricted to New Zealand tax residents and will be based on the RWT on Interest (IPS) returns.

The reports will be made available in myIR in a downloadable excel file format and can be accessed by anyone linked to the IPS account for the payer. To access the report –

- access the RWT on Interest account type in myIR,
- click on the 'I want to...' button and
- scroll to the Reports section.

The report is called "IRD number updates required". If you are familiar with PIR notification reports – this follows the same process. The following information will be included in the report:

- a. Name of the recipient (as provided by the filer)
- b. Account identifier as provided by the filer
- c. IRD number of the recipient (as identified by Inland Revenue)
  - i. This is the identified number if it was missing in the original submitted return  
OR
  - ii. The correct number if the originally provided one was incorrect

We have reviewed the contents of the reports and our confidence level of the matching algorithm used as a minimum to populate it is 99%; therefore, we are satisfied that it meets the requirements of this process.

We have used the data from your September submitted returns; our reason for doing this is that September as a calendar quarter end is a common reporting period for the majority of payers and hence more likely to capture a greater number of recipients that may require remediation.

Inland Revenue would expect that within a three-month timeframe, you will be able to make the necessary changes to IRD numbers held on your systems. After this time, we will begin regular quarterly reporting and depending on its success, we will also extend this process to smaller banks and other financial institutions. We appreciate that you need to consider the implications of making changes to customer information and the need to potentially develop changes to your systems to enable automation of these changes and will work with you to ensure that we can arrive at an outcome that benefits our mutual customers.

At this point in time, we do not expect that you will need to retrospectively rectify returns filed with us unless we receive a specific request from the recipient, or the value of the income reported exceeds the \$200 threshold.

We welcome your feedback, and suggestions for improvement, on this process.

### **Legal basis for providing this information to Inland Revenue**

1. As a payer of investment income, you have an obligation under section 15B(b) of the Tax Administration Act (TAA) to withhold the correct amount of tax from payments you make to a payee. A payer's withholding tax obligations are set out in detail in Subpart RE of the Income Tax Act 2007 (ITA) with the applicable rates of withholding tax set out in Schedule 1, Part D, Clause 3 and 4 of the ITA. If the payee has not provided the correct IRD Number to the payer, the non-declaration rate applies because the IRD Number has to be for the person who has been paid the interest.
2. This information is provided to you in confidence and for your use only to correct IRD number data held with you for the purposes of accurate Investment Income reporting.
3. When we inform you that the IRD number that has been reported to us for a specific payee is incorrect, you then have an obligation to rectify the return by using the correct IRD number provided by us. The information is shared by exercising the Commissioner's discretion under section 18D(2) of the TAA 1994. You have an obligation to use the correct IRD number for your customer when they report investment income as this is a requirement placed on payers under Schedule 6, Table 1, Row 5 of the TAA.
4. The cause of the error may either be due to the incorrect number provided by the payee or incorrectly recorded by the payer. This does not change the need to rectify the error and the payer may do so on the advice of Inland Revenue.
5. If you choose to inform the income recipient of the change, this is done at your discretion. However, if the payee does not respond within 10 days, then you are obliged to delete the incorrect IRD number and apply the non-declaration rate (45%) or use the IRD number provided by Inland Revenue.
6. Section 27 of the TAA requires a payee who has an IRD Number to provide their IRD Number to the payer within 10 working days of receiving notice from the payer to do so. Section 27 does place a payee under a legal obligation to provide their IRD Number to the payer if they have a number. Section 15B(g) provides that a taxpayer must comply with all the other obligations imposed by the tax laws (s 27 being a tax law).
7. If the payee fails to provide the correct IRD number then the payer is required to use the non-declaration rate in Schedule 1, Part D, Clause 3 or Clause 4 of the ITA.
8. The wording used in Schedule 1, Part D, Clause 3 and 4 is that the payer "has been supplied with the tax file number of a person who has been paid the interest". So, the IRD Number must be of that person, not an incorrect number or the number for another person who is not the payee.
9. When Inland Revenue informs the payer of the IRD number for a customer that has not provided their IRD number to the payer, then the payer is not obliged to include that number in the return without recourse to the customer. However, the payer should ensure that the non-declaration rate is applied to any income paid on the specified investment, if no valid IRD number belonging to one or more investors is recorded against such investment.
10. Correct IRD numbers provided where the original number held is incorrect should be implemented as soon as practical— we consider a period of 3 months from date of notification to be a reasonable amount of time to implement correction; Customers can be notified if you require and should provide evidence if they dispute the number provided by

IR. If they disagree with the number provided by IR and are unable to prove their own number within ten days, then you are obliged to remove the current number held and implement the 45% non-declaration rate

11. Correct IRD numbers provided where the original number held is incorrect must be implemented as soon as practical – we consider a period of 3 months from date of notification to be sufficient time to implement correction; Customers can be notified if you require and should provide evidence if they dispute the number provided by IR. If they disagree with the number provided by IR and are unable to prove their own number within ten days, then you are obliged to remove the current number held and implement the 45% non-declaration rate.
12. If any of your customers need assistance with providing/confirming their IRD numbers, they can use the “Find my IRD number” function on our website; or they can get in touch with us directly
13. We would expect that the number of entries on these reports would reduce quite markedly over time and in the future we may be able to produce these reports on a less frequent basis

Released under the OIA