Inland Revenue
Te Tari Taake

26OIA1435

29 October 2025

[redacted]

Dear [redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 1 October 2025. You requested the following (numbered for ease of response):

1. *What plans are currently in place for the use of AI and automation across your organisation over the next five years and what will it look like?*
2. *What analysis have you done on how these technologies could affect staff headcount?*
3. *Do you have any projections or estimates for that scale of impact on headcount?*
4. *Are changes to headcount driven solely by AI/automation, or are other factors also being considered?*
5. *Whether any changes to headcount have been attributed to AI/automation to date (and what that number is)?*

Information released

Question One: *What plans are currently in place for the use of AI and automation across your organisation over the next five years and what will it look like?*

Inland Revenue views artificial intelligence (AI) as the next wave of digital innovation, and we will continue to explore opportunities where we believe we can leverage AI and automation to improve efficiency, manage cost pressures, and enhance services for our customers.

We continue to focus on improving the organisation's capability to adapt to new digital advancements, both in our people's digital dexterity as well as the ability to react to emerging customer and partner needs.

Given the rapid pace of AI development, Inland Revenue has not established a five-year plan for the use of AI and automation. I enclose a report provided to the Minister of Revenue, *IR2025/365 – Update on Inland Revenue's use of Artificial Intelligence*, which details Inland Revenue's current state use of AI and key next steps/focus areas. Some information is withheld under section 9(2)(a) of the OIA, to protect the privacy of natural persons. I note the "*Voice Channel: Supervisor Assistant"* initiative referenced in IR2025/365 is still in the planning and proof of concept stages, and the proof of concept has not yet begun.

As required by section 9(1) of the OIA, I have considered whether the grounds for withholding the information requested is outweighed by the public interest. In this instance, I do not consider that to be the case.

Questions two and three: *What analysis have you done on how these technologies could affect staff headcount? Do you have any projections or estimates for that scale of impact on headcount?*

Inland Revenue anticipates that it will take time for our AI practices and capabilities to scale to a level where headcount analysis becomes relevant. Accordingly, Inland Revenue has not conducted any headcount analysis related to AI use.

Question four: *Are changes to headcount driven solely by AI/automation, or are other factors also being considered?*

Changes to headcount at Inland Revenue are not driven solely by AI/automation.

Potential changes to organisational structures are based on an assessment that a different mix of roles and capabilities is required within a particular team or business, in order to deliver the services the area is accountable for. This could be because the services and business needs themselves have evolved or changed, strategic or operational objectives require a different focus etc. Changes in technology may influence those factors and be part of the overall considerations.

Question five: *Whether any changes to headcount have been attributed to AI/automation to date (and what that number is)?*

Inland Revenue is a digital first organisation and we aim to maximise the benefits of being digitally enabled for our customers and our partners. As such, we explore opportunities to utilise technology to drive operational efficiencies and deliver better experiences for our customers e.g. as demonstrated by our Business Transformation Programme.

To respond to changes in technology, adopt/grow new capabilities and continue to be responsive to government and customer needs, Inland Revenue frequently needs to consider changes in roles and team operating models. In this context, no specific management of change (restructuring) processes or specific reduction in positions have been directly attributable solely to AI/automation.

Most recently however, we have taken steps to disestablish our Customer Support Administrator (CSA) role, which was a legacy job focused on the residual elements of traditional, transactional 'processing' work. The evolution of digital practices e.g. no longer receiving cheques, as well as automation of some transactional processes, meant that overall this role as a standalone was no longer needed. Combined with our ability to absorb the remaining parts of the CSA work into other positions it is not possible to attribute a defined number of the overall 50 disestablished CSA positions to automation.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely

[redacted]

Patrick O'Doherty

Enterprise Leader – Data, Analytics & Insights

Inland Revenue
Te Tari Taake

Inland Revenue report: Update on Inland Revenue's use of Artificial Intelligence

Date:	27 August 2025	**Priority:**	Low
Security level:	In confidence	**Report number:**	IR2025/365

Action sought

	Action sought	Deadline
Minister of Revenue	**Note** the contents of this report	NA

Contact for telephone discussion (if required)

Name	Position	Telephone
Brijesh John	Domain Lead, Strategic Architecture	9(2)(a)

27 August 2025

Minister of Revenue

Update on Inland Revenue's use of Artificial Intelligence (AI)

Purpose

1. This report

    1.1. Provides an update on Inland Revenue's use of AI for the period June to August 2025.

    1.2. Builds on the previous note to you.

        1.2.1. IR2025/229 provided an update on AI work in Inland Revenue for the period March to May 2025

    1.3. We propose our next planned update to you will be in November 2025. You will be advised about any significant changes or advancements in the interim via regular Ministerial Services channels.

Background

2. Inland Revenue's Strategic and Investment Board approved a refresh to our strategy and direction regarding the use of AI, in September 2025.

    2.1. Considering the significant transformative potential of AI, our path ahead is through continuous AI-driven transformation which will enable *higher staff productivity and increased capacity* and will enable *data-driven intelligence* and *efficient delivery of better customer experiences.* Our approach must be one that gains value through increased public trust, scaling through value and transforming with people still at the heart.

    2.2. Considering the rapid advances and changes in AI technology, uncertainty around geopolitical and socio-economic conditions and the evolving global regulatory landscape, a different approach is required for our AI Strategy. Taking into consideration the flexibility and ability to pivot that is critical, we need a strategy that takes an agile and adaptive approach.

    2.3. Our AI vision is to transform tax and social policy administration through AI that simultaneously delivers the accessible, transparent, and culturally responsive services New Zealanders expect from government while achieving the operational excellence, productivity gains, and stewardship effectiveness that enables sustainable public service delivery.

    2.4. We are now working through the next steps to enable outcomes in alignment to our strategy including addressing capability and capacity related questions.

Key Highlights (Jun-Aug '25) -

3. Approval of Strategy and Direction for AI with a focus on 3 organisational shifts powered by AI

    3.1. Workforce Productivity,

3.2. Data Driven Intelligence (focussed primarily on compliance), and

3.3. Customer experience.

4. Use of Cortex AI to allow the business to 'ask questions of our data'

4.1. Initial use case with audit data had good outcomes and was presented at the AI Accelerate day at Parliament.

5. We have begun using more sophisticated analytics models in our Tax System which help us to identify the debt collection action which is most likely to succeed for a customer.

5.1. As the first step, we are using intelligent models which assess the customer's circumstances and compliance history and recommend the best action for that customer. Actions include:

5.1.1. issuing a bank deduction notice,

5.1.2. offering a pre-approved instalment arrangement, or

5.1.3. remaining with current collections processes as the customer's debt will self-resolve.

5.2. These models take into consideration data and information across IR.

5.3. The models have been very successful with over $39M under pre-approved instalment arrangements already and over $12M in bank deductions recovered. This was achieved within a 10-week delivery time frame.

Proofs of Concept/Pilot initiatives

6. The following use cases are being evaluated and rolled out at Inland Revenue.

New initiatives since our last briefing note

Initiative	Details
Voice Channel: Supervisor Assistant Utilising AI to analyse call transcriptions, to evaluate quality of customer service.	• An AI agent will compare transcriptions of calls from Genesys Cloud against internally set criteria to evaluate the quality of a phone conversation with a customer. • This output can then be used to support individual staff development discussions between Team Leads and their direct reports. • Proof of concept is in progress; with time savings expected for Team Leads.
Data Intelligence Platform: Natural language querying Evaluating the capabilities of Snowflake Cortex AI to potentially supplement or replace data analysis tasks and pre-defined reports.	• The proof of concept will evaluate the natural language querying capabilities of the tool, within Inland Revenue's Data Intelligence Platform. • The insights gained from this trial will help us identify potential use cases for the platform and define the process for future AI adoption. This includes assessing the feasibility and alignment with our strategic goals. • Expanding the accessibility of the platform through AI will enable us to explore future possibilities

Initiative	Details
	including increasing insights to allow us to identity and tailor interactions with our customers. • In the future, with the addition of other features available in the platform, we can consider automation possibilities at scale, improving efficiency and effectiveness across various business functions.
Legal Research Summarisation Provides AI-powered support for legal and research workflows by enabling natural language queries, case and document summarisation, and efficient information retrieval.	• Beta testing a generative AI tool to assess usability and alignment with our research workflows (Lexis+AI). • Features include "ask a legal question", case summarisation, and document interpretation via natural language prompts. • The beta test will leverage existing unclassified data as text prompts. • We are measuring efficiency through automating repetitive and time-consuming research over complex legal content, accuracy, scalability and innovation.

Update on initiatives previously reported on

Initiative	Key findings and next steps
Enterprise Services Technology AI Agents Tailored and purpose-built AI Agent solutions that use internal information across corporate platforms to enable better decision making and possible automation.	• A custom AI 'Technology Agent' was built using Copilot Studio to answer IT queries and raise ServiceNow tickets. It securely accessed IR's internal data in a test environment, respecting permissions and confirming feasibility. • A limited production pilot has now commenced, and a small group will use the agent for live IT support, with monitoring focused on accuracy, usage and risk controls.
Knowledge Surfacing The real-time presentation of contextual knowledge to our people, to help answer customer queries.	• The pilot has concluded and showed no measurable improvement in call handling time or efficiency on the voice queues we tested it on. • Experienced staff rarely needed the surfaced articles. • The AI occasionally surfaced irrelevant content due to overlapping articles in our knowledge base. • The vendor is launching a connection with SharePoint shortly, which will reduce the manual data transfer necessary. Once this is in place, we will consider trialling the feature with our contingent workforce and new staff.
IT Service Management (ServiceNow Platform)	• Inland Revenue's ServiceNow AI pilot, running from April to September 2025, is still in an experimental demo environment with no IR data,

Initiative	Key findings and next steps
	and findings will be reviewed after the trial to guide any future adoption.
AI test scenario generator tool AI-powered tool to create test plans and test scenarios.	• The six-month pilot began in July 2025 and is expected to conclude in December 2025, when the evaluation will wrap up and results will be reported.
Microsoft 365 Copilot: Copilot is integrated into the M365 suite of products (for example, SharePoint, Word, Excel, Teams) and is designed to enhance staff productivity.	• Following a successful 12-month pilot of 20 licenses, we are now scaling the pilot and have extended to 100 licenses, through to October 2025. • The licenses are in back-office functions: Policy, Tax Counsel Office and Enterprise & Integrity Services. • In addition to the standard M365 Copilot package, we are trialling three pre-built agents: Analyst, Researcher and Project Manager. • The extended pilot in Policy and Tax Counsel Office is testing Copilot with budget-sensitive information under strict conditions—an approved exception to our AI use policy—to assess its handling of highly confidential content, before we consider a wider roll out.
Voice Channel: Conversation Summarisation Creates summaries of calls between a customer and Inland Revenue.	• Conversation summarisation has been fully adopted in the Individuals Segment contact centre since April 28, 2025. • We are now exploring pilots for our Business and Families customer segments.
Microsoft Copilot (Bing)	• This continues to be rolled out in a staged approach across Inland Revenue, to ensure our people have the support they need to use the tool successfully. • 1990 users currently have access.

AI Capability Uplift

7. Inland Revenue continues to adapt its AI fluency training, as new AI approaches emerge. More recently, this has included the emergence and proliferation of Agentic AI.

8. We have delivered targeted Agentic AI fluency training to select leaders to strengthen oversight and strategic understanding.

9. A new Agentic AI e-learning module has also been developed to complement existing AI fluency content, helping business leaders identify risks, opportunities and ethical considerations.

10. The initiative is supported by a cross-functional team from Inland Revenue and Deloitte, with delivery scheduled from July to September 2025.

11. The e-learning module will be shared shortly with GCDO, to join Inland Revenue's other AI e-learning modules already available to the wider public service.

OECD engagement

12. Inland Revenue's active participation in OECD forums ensures New Zealand's perspectives are reflected in the development of international standards for responsible AI use in tax systems. This engagement also enables Inland Revenue to stay abreast of global best practices and apply relevant insights to strengthen our own AI governance and implementation.

13. Inland Revenue has consulted on OECD Project D "Enhancing the trustworthy use of AI in Tax Administrations". The project's draft report presented an approach to navigating use cases for AI and a draft assurance checklist specific to AI use cases known across tax administration sectors.

14. We've shared feedback confirming Inland Revenue's support for the Trustworthy AI in Tax Administration material that accompanies the assurance checklist, which will aid our efforts. However, the draft assurance checklist is overly detailed, which may hinder swift progress. We have proposed specific changes to allow tax administrations to adjust their pace based on risk.

Public Sector and Government Chief Digital Officer (GCDO) engagement

15. We continue to actively share our knowledge and resources with the GCDO and a range of agencies to support the wider public service's uptake of AI. This includes governance instruments, reusable use case specific documentation, AI evaluation approach and specification, proof of concept findings and AI literacy training material.

16. Inland Revenue officials attended the AI Accelerate workshop held at Parliament this month, showcasing our use of AI in the contact centre and in our Data Intelligence Platform.

17. Our refreshed AI Strategy and Direction has been shared with GCDO officials.

18. Inland Revenue officials have been working alongside GCDO to publish Digital Fluency Case Studies and also present these to the Australian Public Service Commission.

Key risks and challenges

19. Social acceptance represents the cornerstone requirement for AI transformation success, with government AI initiatives facing significant citizen concern rates that require proactive trust-building. Without sustained public confidence and staff engagement, even technically superior AI systems encounter implementation barriers that undermine strategic objectives. The stakes are particularly high for government AI deployment, where public trust directly impacts New Zealand's global reputation and long-term citizen compliance.

20. Generative AI is being used to enhance traditional attack methods, such as phishing, reconnaissance, and malware development, but there is limited evidence of novel or uniquely AI-driven threats.

21. Although there is currently limited evidence of novel or uniquely AI driven threats, the rate of change in AI-based cyber threats is increasing, which in turn will mount pressure on the requirement for frequent reviews of existing controls, updates to threat intelligence sources, and continuous staff upskilling.

22. The adoption of AI agents internally and by customers is introducing new systemic risks in data handling, service interactions, and compliance, as these agents can autonomously access and act on sensitive information.

23. Third-party use of AI could introduce risks around customer data that will have to be carefully managed considering a balance between potential productivity increase and privacy, security and bias related issues. IR must consider this from a partner, vendor, digital service provider and intermediary perspective.

24. Research shows us that value from AI is mostly seen in organisations which invest in the integration of AI in core business activities. Inland Revenue will have to make trade-off decisions as core business resources will be required in addition to hard-to-find expertise in the market to support strategic shifts associated with core business activities. A concerted focus on these shifts will also require dedicated funding.

Key next steps/focus areas

25. We are considering improved and AI-powered OCR in the Tax system for the Donation Tax Credit (DTC) and FamilyBoost (FB) products to increase automated processing of claims

26. We are putting concerted focus and effort on considering, trialling and implementing AI that can be used to support our approach to managing debt and improving compliance outcomes.

27. In alignment to our AI strategy, this includes integrating rule-based automation, machine learning, generative AI and optimisation techniques to deliver superior outcomes. Our approach is focused on the four key areas of our debt management approach areas and will explore options such as:

    27.1. Changing the system: We will consider AI-enhanced policy simulation, increased use of predictive modelling, improvements to automated deduction-at-source and scenario testing using agentic AI.

    27.2. Minimising what becomes debt: We will consider behavioural nudges, improved access and responsiveness through chatbots (multilingual), risk scoring, partner-integrated campaigns and early warning systems.

    27.3. Maximising what we collect: We will consider AI-optimised payment arrangements, prioritised collections, third-party performance analytics and penalty impact modelling.

    27.4. Minimising write offs: We will consider early alerts for legal escalation, AI-assisted litigation preparation, unified case management and improved cost-benefit analysis of enforcement.

    27.5. We are working through the roadmap for enabling outcomes including

        27.5.1. Preparing our data and information sets for AI,

        27.5.2. Creating a debt and compliance focussed stream within our AI innovation lab, and

        27.5.3. Embedding governance, privacy and ethical safeguards with a goal of increased public trust

28. We are initiating work to introduce an AI innovation lab which will allow us to safely test AI integration into core business outcomes in alignment to our strategy in a safe and responsible manner.

29. We continue to focus on core business areas including:

    29.1. Contact centre – automation and productivity increase

    29.2. AI driven insights, decision intelligence and analytics, including those used for:

        29.2.1. Financial crime prevention/ fraud detection and prevention

        29.2.2. Protecting the NZ revenue system

    29.3. Ensuring Inland Revenue's external content is fit for the future, including:

        29.3.1. Driving content quality for accurate consumption via reasoning engines (AI tools)

        29.3.2. Using AI to support the creation, design and management of this content

29.4. Administrative productivity including:

29.4.1. Policy analysis and drafting

29.4.2. Enterprise support services

Recommended action

We recommend that you:

1. **Note** the contents of this report.

Noted

9(2)(a)

Brijesh John
Domain Lead, Strategic Architecture

Hon Simon Watts
Minister of Revenue
/ /2025