

Inland Revenue is well advanced into a multi-year change programme to modernise New Zealand's revenue system. Business transformation will make it simpler and faster for New Zealanders to pay their taxes and receive their entitlements, resulting in significant benefits for New Zealanders and New Zealand's economy. This quarterly newsletter provides an update on transformation progress.

New tax system better for business

Businesses are telling us they spend too much time complying with their tax obligations. The new tax system, to be introduced in stages from early 2017, will make it easier for businesses to get tax right first time and save them time to focus on running their business and things that matter.

A major consideration in the design of the new tax system has been to make tax compliance easy for businesses, replacing complex processes with simpler ones.

‘The equation is simple – if businesses are spending more time on the things that matter, their business will be more efficient, getting better results for their shareholders and benefiting New Zealand as a whole’, says Inland Revenue Deputy Commissioner Change, Greg James.

The benefits outlined in the Programme Update and Detailed Business Case approved by Cabinet in November 2015 all point to businesses spending less time on tax and more time on contributing to building a more competitive economy.

Customer benefits from the new tax system are summarised into two main areas.

Easier for customers

More online services mean that customers will be able to manage their tax affairs themselves with speed and certainty. Fewer customers will make mistakes or spend time sorting out issues.

Customers will receive more proactive assistance and tailored services from Inland Revenue through improved technology and better use of information.

Fewer customers will go into debt – simpler processes means that customers are getting it right first time.

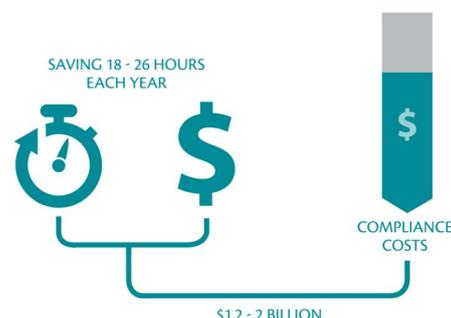
There will be less complexity and need for customers to supply information to Inland Revenue, or tell government agencies the same information multiple times.

Tax processes will fit seamlessly into existing processes that businesses use, so that tax becomes less of a separate exercise.

Savings in compliance effort for businesses

The new tax system will deliver savings to all businesses, but particularly small businesses.

Small and medium businesses currently spend approximately 61 hours* across tax products each year on tax-related activities. We estimate this to reduce by 18-26 hours each year, representing total savings of \$1.2 - \$2.0 billion to the economy once business transformation is complete.



* Source: IRD Small-Medium Enterprise Compliance Cost survey
To view the Programme Update Detailed Business Case, go to www.ird.govt.nz/transformation and click on Reports & Publications

Transforming Inland Revenue

GST filing through software tried, tested, ready to use

Inland Revenue is making things better for business with the launch of a new service for businesses to file GST returns directly from their accounting software. We've piloted the new service with a group of Xero and MYOB customers. During April and May, Xero and MYOB will begin offering this service to all their customers who file GST returns.

More than 2,000 submissions have now been successfully filed this way, with 83% of users surveyed saying the service is "a lot easier than the old process". Customer responses focus on the convenience, simplicity and accuracy of the new service. Filing through software removes the need to re-enter figures into Inland Revenue's systems as information is pre-populated from a business's sales and purchase information.

Other software providers can also now offer this service to their clients. There are plans to add other tax services like filing employer monthly schedules through payroll software in the future.



Businesses have told us that dealing with government takes too much of their time. This new service is a practical way that we're making tax simpler and reducing time and effort for businesses.

For more information about this service, visit www.ird.govt.nz - click on 'Filing tax returns from accounting software' in News and Updates.

State-of-the-art data centres secured for new tax system

Spark subsidiary, Revera, will supply Inland Revenue with two new data centres and critical support for the new tax and social policy system.

The state-of-the-art data centres will support New Zealand's new digital, intelligence-led tax system. They will host a new customer self-service portal and tax filing from third party accounting software. Internal workplace systems and tools for supporting customers will also be supported by the data centres.

The data centres - located in Trentham and Takanini - will take the security of customer and other data to another level. New facilities have been designed 'from the ground up' to specifically accommodate Inland Revenue's future technology needs. The premises have multiple layers of caged security, advanced cooling and disaster recovery features.

The data centres will give us greater flexibility and speed to scale up and down as our needs change. We'll be able to use - and pay for - just what we need when we need it, says Chief Technology Officer Gary Baird.

"We'll have much greater back up in the event of an emergency which is critical to keep the core tax processing system up and running."

This is a major All of Government Infrastructure as a Service contract, allowing a New Zealand company to deliver real innovation to the public sector.

The infrastructure will become operational this year and will eventually host all systems and services at the completion of the transformation programme.

Independent reviews of transformation

In its Gateway Review Report of February 2016, the Treasury found that Stage 1 of Inland Revenue's business transformation "to be in good shape for successful delivery."

In March 2016, the Finance and Expenditure Committee reported: "We have been pleased with what we have learned so far about the way it is being managed and we look forward to a further briefing later in the year, once the next stage of the budget has been approved and the next steps in the project have been taken."

All reviews can be viewed at www.ird.govt.nz/transformation/bt-reports-publications/reviews/

Transforming Inland Revenue

Programme update

Recent milestones and what's coming up on Inland Revenue's transformation agenda.

- Nov 2015** Cabinet approved the Programme Update and Detailed Business Case giving the green light for the start of Stage 1 implementation.
- Dec 2015** Customers trial the filing of GST from Xero and MYOB accounting software
- Jan 2016** Work commences on the implementation of Stage 1 for GST to be delivered in the new tax system from early 2017. This involves configuring the new START system.
- Jan 2016** Local firm Revera/Spark was confirmed as the supplier of new data centres to support the new tax system.
- Apr/May 2016** Rollout of GST filing through software to all MYOB and Xero customers.

Engagement programme

Recent and upcoming presentations to keep tax intermediaries and other third parties informed and to understand the benefits of the new tax system.

- Mar 2016** Payroll practitioners at MYOB Payroll series and Employers and Manufacturers Association Payroll Conference.
- Presentation to Accountants and Tax Agents Institute of New Zealand Conference.
- Apr 2016** Presentation to NZ CA (Independent Chartered Accountants) Conference
- Chartered Accountants Australia and New Zealand regional roadshow.
- Apr/May 2016** Meetings of external stakeholder panels: Taxpayers' Simplification Panel, Transformation Reference Group and ICT Reference Group.

Call for feedback on business tax proposals

This month the Government made a pre-Budget announcement on 16 new business tax measures. The key highlights of the package include:

- A new Accounting Income Method (AIM) option for small-medium businesses to pay tax as they go
- Removal of 1% incremental late payment penalty for new debt
- Changes to use of money interest for standard uplift taxpayers
- New withholding tax rate rules for contractors and labour hire firms
- Information sharing with the Companies Office and credit reporting agencies to protect other businesses.

Technical details of the proposals are being consulted on via an Issues Paper released by Inland Revenue and the Treasury.

One of the proposals, the Accounting Income Method (AIM), is the subject of a more detailed discussion through an online forum.

These initiatives contribute to the Government's better public service targets and aim to make it easier for taxpayers to deal with government as part of a transformed tax system.

The online forum and Issues Paper can be found at www.makingtaxsimpler.ird.govt.nz
Consultation is open until Monday 30 May 2016.

