



Inland Revenue  
Te Tari Taake

# Encouraging compliance and managing debt in the future

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Tax Administration for the 21<sup>st</sup> Century



# Possible design principle#1

*Reducing emphasis on 100% accuracy, but rather accuracy within a reasonable period*

- Focus on customer's life-cycle
- Need to be willing and able to manage tolerable errors at low cost for all involved
- Correction in the future when error discovered rather than re-opening the past
- Focus on applying resources to ensure processes are right and working from the offset



# Possible design principle#2

*Making it easier to comply and  
difficult not to comply*

- For wage and salary earners, moving to more accurate withholding on their sources of income
- For businesses, basing interim payments on the taxpayer's interim accounting – Business PAYE?
- For contractors, extension of withholding/PAYE or Business PAYE



# Possible design principle#3

## *Active withholding systems*

- Withholding system as alternative to debt recovery and penalties.
- Recover debt over reasonable time
- Moving from creating a payment event with penalties in the first instance
- On-going nature of positive relationships need to be recognised

Needs to be managed in a way which has low impact on third parties and has regard for taxpayers circumstances, but we also want low stress and low compliance costs.



# Possible examples

- no terminal tax date for compliant taxpayers
  - the underpayment will be spread over the next year's provisional tax.
- employer error in PAYE deduction
  - future deductions corrected once discovered
  - existing error correct in the month after discovery
- good compliant taxpayer does not file a return on time
  - contact to find out if they are ok
  - action driven by taxpayer's positive record



# Non compliance consideration

- Use of a wider set of interventions where appropriate
  - Not clear late payment penalty the best intervention in all cases
  - Can't pay and won't pay
- Whole of government response to non-compliance rather than just tax agency response
- Intelligent use of information to intervene rather than standard scripted interventions

