

Tax Administration for the 21st Century

A personal vision

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- IRD
- A good tax system = good tax policy + good tax administration.

- YES
- The Key – it is all about promoting voluntary compliance and efficiency

- IRD
- Our future is digital
- Machine talking to Machine

- NO

The Business of a Modern Revenue Authority

- Two distinct businesses
 - First a large data processing business.
 - Secondly, a business of managing the tax system.
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- These are different and distinct businesses.

The Data Processing Business

- The focus is on:
 - Value for money – process at lowest cost
 - Machines talking to machines – remove human intervention
 - Privacy but sharing information within government.
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- Analogy is The Warehouse

The Business of Managing the Tax System

- Focus on:
 - Judgement
 - Person to person engagement
 - Secrecy of taxpayer information
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- Analogy is a professional firm of advisors

Two Businesses are in Conflict

- The two businesses are in conflict
- A management culture versus a professional culture
- Acknowledged by Sir Ivor Richardson – 1994 Organisational Review recommended “separation of the adjudicative [Commissioner] from the management [CE] function.”

1994 “Vision” for NZ Tax Administration

Revenue collected

Voluntary compliance

IRD “fair, helpful and efficient”

Disputes handled fairly and quickly

Low compliance costs

Well understood legislation

Richardson Vision Seen as Requiring

Empowered highly skilled IRD staff

Clear customer focus

Advanced processing systems

Comparison IRD 21st Century and Richardson

- Richardson focus on managing the tax system.
- IRD 21st Century vision focus on the processing businesses.
- IRD vision now seems to be the final victory of the processing businesses over the tax system management business.

Since 1994

- Tension between two businesses have increased.
Growth of non-core business – e.g. KiwiSaver.
More complex and expensive IT requirements.
Government focus on “value for money”.
Focus on “all of government” approach.
IRD as an agency part of the executive but constitutionally responsible to Parliament anomalous.

Blue Skies Thinking

- Split IRD in two (analogous with Richardson Review)
- Ministry of Revenue and Processing – processing business
- Tax Office – administers the tax system

Ministry of Revenue and Processing

- Handles the processing
- Handles PAYE and Withholding Taxes
- Non-business returns not under audit or in dispute.
- GST returns not under audit or disputes.
- Shares information with other government agencies
- CE just another departmental CE

Tax Office

- Manages the tax system
- Manages all business tax
- Manages returns under audit or dispute.
- Taxpayer secrecy applies.
- Commissioner independent

Managing the Tax System

- About promoting voluntary compliance so as to efficiently collect revenue
- Means moulding behaviours
- Requires judgement
- Just as tax policy needs to be “intuitively sensible” so does tax administration.
- Not done by machines talking to each other.

IRD's Vision?



The Problem

