

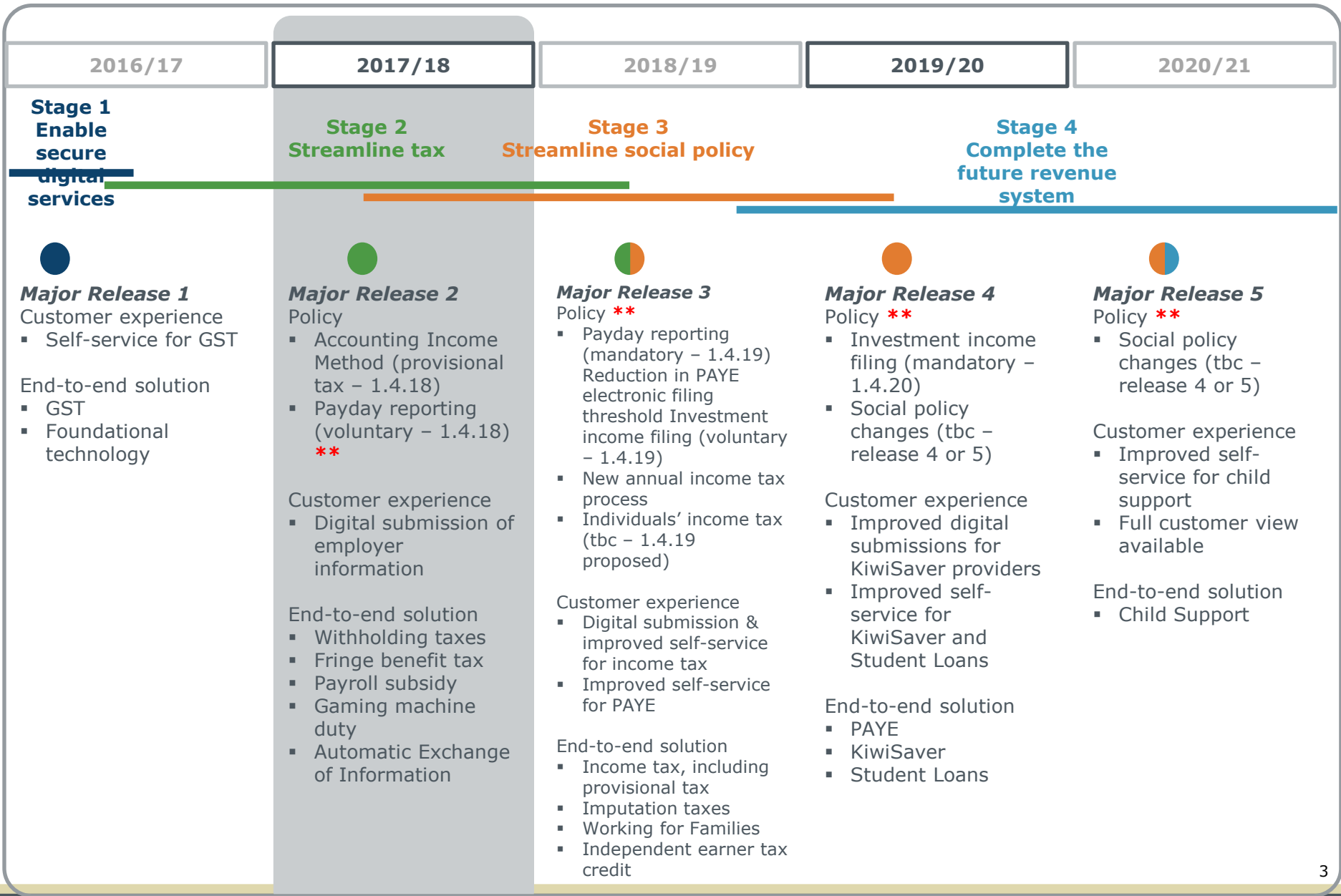


START release plan - sequencing options

For discussion

Transformation is well underway

- There are four broad stages in Inland Revenue's transformation – digital services, tax, social policy and a final wrap up.
- Transformation is enabled in the main by a combination of changes to policy, process, technology and the organisation design of Inland Revenue.
- Central to the modernisation of Inland Revenue's technology is delivery of a new tax and social policy platform called START.
- In addition to START, a number of other changes are being made to support digital services and intelligence-led outcomes.
- GST was the first major release of START in February 2017.
- From now on there will be more than one START release in each stage so that the amount of change being introduced for both customers and Inland Revenue can be carefully managed.
- The remaining stages of transformation will overlap and be implemented in a series of START and other releases from 2018 to 2021.
- Major START releases will typically occur on an annual cycle in each of the next four years to align with the beginning of the tax year.



** Subject to legislation being enacted and further discussion with Ministers regarding priorities

IN CONFIDENCE - EXTERNAL RELEASE

The current START release plan, in our view, best balances risk from both a customer and delivery perspective

- There are some other timing options for some products.
- Taxes must be moved to START before social policies to ensure that the income information these entitlements rely on is accurate and available in START.
- End-of-year Working for Families processes will move to START with income taxes, as the calculation and financial management is highly dependent on information about family circumstances and family income information.
- There are some deployment timing alternatives for the Working for Families processes that take place at the beginning of the year.
- There are choices about the order we move Child Support, KiwiSaver and Student Loans in.
- We have put forward a view based on current available information and completed a preliminary assessment of some other options. We will know more in September/October 2018 when we have more detailed information.
- Until then, we recommend the current release plan as the best option.

Alternative sequencing options for social policy are possible within some set parameters

Government priorities

Options will be assessed against how well they deliver against Ministers' priorities. They must:

- make it easier to make changes to tax and social policy including time to implement new products
- ensure revenue collection has a higher degree of certainty
- ensure social policy can be quickly directed at those in need

November 2015 business case

Options must be within the mandate approved by government. They must:

- not exceed the approved funding
- achieve benefits as early as possible
- end by December 2021 or earlier
- deliver all tax and social policy products in START
- enable the decommissioning of heritage technology
- enable Inland Revenue's digital capability to be leveraged for the benefit of the NZ public

Risks and impacts

Options will be assessed against their risks and their impacts on customers and Inland Revenue. They must:

- minimise business risk – the ability to absorb change
- minimise delivery risk – implementation do-ability
- have the least impact on revenue
- have the best positive impact and least negative impact on our customers
- minimise coexistence costs – manual and technical

Customer experiences

Options will be assessed against how much they improve customer experiences. They must:

- make it easier for customers to understand what their obligations and entitlements are and why
- reduce compliance costs for customers over time
- significantly improve customers' experiences and enable them to self-help for the majority of the time
- mean there is little need for customers to contact Inland Revenue

There are three possible options for sequencing Child Support, KiwiSaver, and Student Loans

OPTION 1 – CURRENT PLAN Child Support in START Release 5	OPTION 2 Student Loans in START Release 5	OPTION 3 KiwiSaver in START Release 5
<p>START Release 4 – April 2020 <i>PAYE processing</i> <i>Student Loans</i> <i>KiwiSaver</i></p> <p>START Release 5 – April 2021 <i>Child Support</i></p>	<p>START Release 4 – April 2020 <i>PAYE processing</i> <i>KiwiSaver</i> <i>Child Support</i></p> <p>START Release 5 – April 2021 <i>Student Loans</i></p>	<p>START Release 4 – April 2020 <i>PAYE processing</i> <i>Student Loans</i> <i>Child Support</i></p> <p>START Release 5 – April 2021 <i>KiwiSaver</i></p>

The options do not include Working for Families

- Options for the optimum time to move Working for Families have already been considered. To minimise the difficulties for customers from having to work off both old and new systems and to ensure payments continue to be timely and accurate, Working for Families will move with income tax in START release 3.

No option proposes moving two products in START release 5

- Should this be required, it could impact our ability to complete transformation by December 2021.

The work completed by [*Information redacted*] on the EMS process confirms that Child Support can be decoupled from PAYE – so option 1 is viable

- Decoupling Student Loans from PAYE can be done with some impact. Decoupling KiwiSaver from PAYE will have a big co-existence impact.
- These options all assume PAYE processing moves in release 4.

There are advantages and disadvantages for each sequencing option

OPTION 1 – CURRENT PLAN Child Support in START Release 5

Advantages

- Coexistence with old systems and processes is improved with this option as Child Support is less tightly coupled to income tax and PAYE processes than other social policy products
- Inland Revenue has the highest delivery confidence in this option, as it means PAYE is implemented in START as close as practically possible to the income tax implementation
- This option balances the complexity across releases

Disadvantages

- Leaves a complex social policy product to the end of the programme
- Customers would not benefit from Child Support changes until mid 2021

OPTION 2 Student Loans in START Release 5

Advantages

- Student Loans is a very stable product with minimal policy change expected, making it a good fit for the end of the programme
- Student Loans is not as tightly integrated to any other income tax or PAYE processes so there is less integration/co-existence risk
- Tackles the more complex social policy product (Child Support) earlier
- Student Loans is different to other social policy products so extra time may be needed to implement it in START

Disadvantages

- Digital self service improvements for Student Loans may be limited if Student Loans remains in the old system and processes
- This option has the highest impact and delivery risk for Release 4 (PAYE, KiwiSaver and Child Support under this option) as it combines a lot of complexity and change in one release, which magnifies the impacts if there are issues during implementation

OPTION 3 KiwiSaver in START Release 5

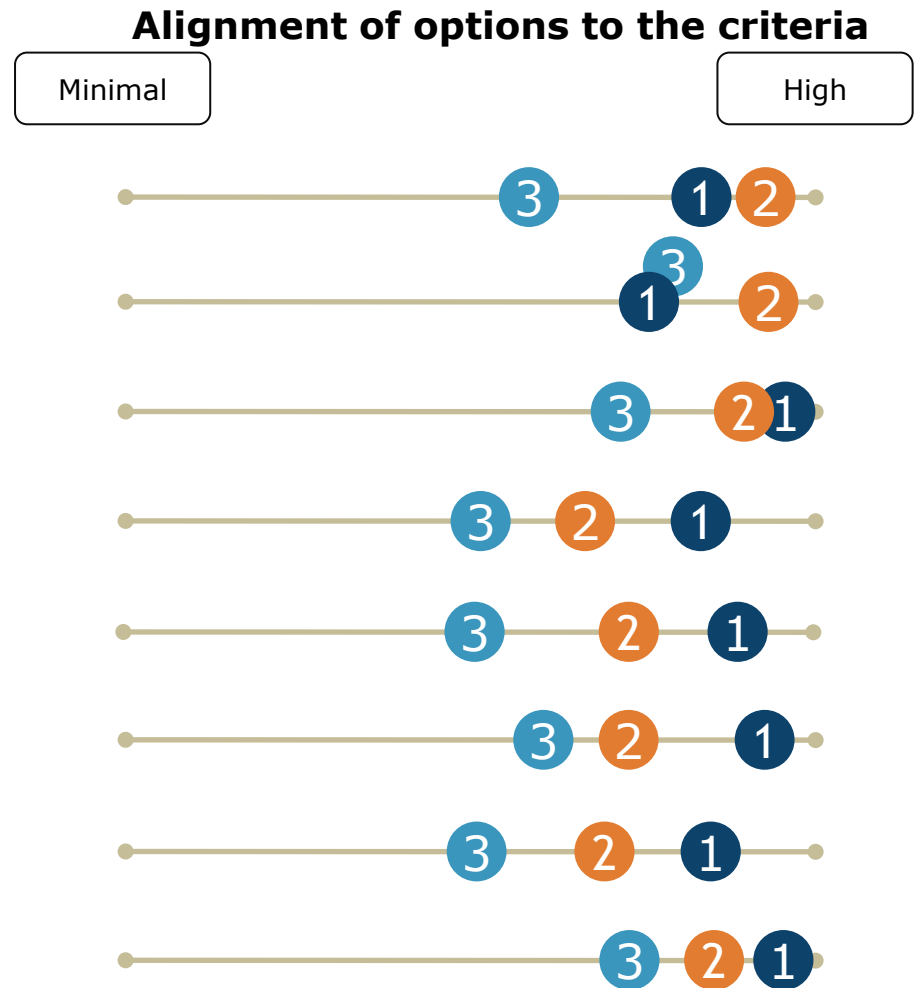
Advantages

- Kiwisaver is a very stable product, so we expect minimal change making it a good fit for the end of the programme
- Tackles the more complex social policy product (Child Support) earlier

Disadvantages

- Kiwisaver is tightly linked to PAYE processes therefore the costs of coexistence with old systems and processes are significantly higher with this option
- Digital self service improvements for KiwiSaver may be limited if KiwiSaver remains in the old system and processes
- This option has a high impact and delivery risk for Release 4 (PAYE, Student Loans and Child Support under this option, and co-existence for KiwiSaver) as it combines a lot of complexity and change in one release, which magnifies the impacts if there are issues during implementation

Based on what we know today, the current release plan best meets the assessment criteria



KEY: OPTION 1 – CURENT PLAN
Child support in START release 5

OPTION 2
Student Loans in START release 5

OPTION 3
KiwiSaver in START release 5

From September 2018, we'll reassess the START release plan

A handful of key activities will have been completed by September/October 2018 that will better inform us about what it will take to move the social policies we administer to START.

The key markers that will trigger a reassessment of the release plan are:

1. Government priorities will be clearer following the 2017 General Election.
2. The successful implementation of START release 2.
3. The completion of income tax solution design and definition (for START release 3) in START, and Working for Families solution design largely completed. This will give us a gauge of how easy or difficult it is to implement social policy products in START, and how much can be re-used from the Working for Families solution design to support KiwiSaver, Child Support and Student Loans.
4. Business system testing for START release 3 has begun.
5. An early diagnostic on how Child Support, KiwiSaver and Student Loans will work in START has been completed.

Until these have been completed, we will not have sufficient information to reassess the current START release plan.

The START release plan will be reviewed at the conclusion of each START major release, or at least yearly, to ensure the sequence remains relevant.

Operating two core tax and social policy systems means operational risk has increased due to co-existence

- Co-existence (the need for old and new systems to work together) is amongst the most complex challenges to be managed for both us and customers. Ideally, we ensure that customers are not aware of the two different systems.
- Migrating products and services to START as quickly as possible will limit the time that systems need to co-exist, is the best way to manage risk, and will minimise any confusion or disruption for customers.
- The priority is delivery of the core tax and social policy platform – START.
- Only by improving and modernising our technology can we significantly enhance experiences for customers and meet their needs.
- Halting part way through implementation will increase operational risk, be costly because two core systems will have to be supported and maintained, and may potentially constrain government's agility to make change.

Release Sequencing Options – Co-existence Impact Assessment

Based on the release sequencing options, this table outlines a comparative view of technical risk and delivery cost associated with the required co-existence solution (for non-START applications). This is expressed as:

- (a) Qualitative risk ranking: degree of risk (1 = lowest → 3 = highest), or;
- (b) Cost, expressed as an approximated factor of baseline funding.

	Metric	Current Plan Option 1	Option 2– Reverse Child Support & Student Loans	Option 3 – Reschedule KiwiSaver to Release 5.0 & Student Loans / Child Support to Release 4.0
Rank & Rationale	Scope	All products will be delivered within confirmed programme scope for all three options		
	Risk – Technical	Low	<p style="text-align: center;">Moderate</p> <p>Conceptually, reversing child support & student loans drives a very low level of difference into the design and underlying technical risk for the co-existence solution.</p> <p><i>This ranking reflects that we have not performed analysis at the same level of detail as Option 1 to confirm coexistence technical implications.</i></p>	<p style="text-align: center;">High</p> <p>Moving KiwiSaver to Release 5 means separating it from PAYE processing in Release 4. This would drive a significant increase in technical coexistence complexity and the number of returns processing and financial integration points that would need to be developed between START and FIRST.</p>



Appendix

**2016-2017
Stage 1
Enable secure digital
services**



**2017-2019
Stage 2
Streamline tax**



**2018-2020
Stage 3
Streamline social policy**



**2019-2021
Stage 4
Complete the future
revenue system**

Key outcomes for customers:

- The majority of customers self-manage and use digital services
- Businesses' compliance burden to fulfil GST obligations will be reduced
- Customers will have confidence that their personal information is secure

Key outcomes for the Crown:

- Confidence in Inland Revenue's ability to deliver
- GST compliance improves

Key outcomes for Inland Revenue:

- Fewer processing and customer contacts for GST
- Digital border established

Products transitioned

- GST

Key outcomes for customers:

- Compliance burden to fulfil tax obligations will be further reduced
- More accurate and timely calculation of obligations
- Customers will have confidence and certainty that they have met their obligations

Key outcomes for the Crown:

- Increased reliability and flexibility (including policy agility) for taxes
- More revenue will be collected more quickly

Key outcomes for Inland Revenue:

- Fewer processing and customer contacts for income and business taxes
- Compliance assurance activities will be intelligence-led

Products transitioned

- Income tax – businesses (including provisional tax) and individuals (including personal tax summaries)
- Company imputation
- Pay-as-you-earn (PAYE) information collection
- Employer superannuation contribution tax
- Fringe benefit tax
- Resident withholding tax
- Non-resident withholding tax
- Portfolio investment entity tax
- Approved issuer levy
- Donations tax credit
- Residential land withholding tax
- Gaming machine duty

Additions to scope

- Automatic Exchange of Information
- Accounting Income Method for calculating provisional tax

Key outcomes for customers:

- Social policy processes will be digital and streamlined
- Accurate and timely social policy payments
- Customers will have confidence and certainty they are receiving the correct entitlements

Key outcomes for the Crown:

- Current operational risk will be predominantly mitigated
- Full policy agility

Key outcomes for Inland Revenue:

- Fewer processing and customer contacts for social policy
- Enforcement activities are more focused and require fewer resources

Products transitioned

- PAYE processing
- Working for Families
- Child Support
- Student Loans
- KiwiSaver

Key outcomes of programme:

- Revenue system will be flexible, resilient and cost-effective
- Government has policy agility
- Compliance will be higher
- Increased integration with other parties

Products transitioned

- Paid Parental Leave
- Duties and Reserve schemes
- Unclaimed monies
- All other taxes and duties

2016

2017

2018

2019

2020

2021