

Statement of Intent



Inland Revenue
Te Tari Taake

2018

TO

2022

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This logo represents the way that we want to work with our customers to achieve our primary outcome of improving the economic and social wellbeing of New Zealanders.

Our customers are represented by the inner inverted koru. They are the focus of all the work that we do.



The larger koru element reflects the environment and the support and guidance that we provide to our customers. The head of the koru meets the upward sweeping woven strands reflecting the relationships we have with our customers to help us understand their needs.

The strands that form the base of the koru represent our work and the interwoven strands reflect the way we deliver our services through developing strong relationships, resources, knowledge, skills and capability.

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Foreword from the Minister of Revenue

As the Minister of Revenue, it is my role to ensure that Inland Revenue has the resources and mandate to develop and operate a tax system that is world leading in terms of integrity and efficiency.

The Government is committed to responsible fiscal management and ensuring that New Zealand has a progressive tax system that is fair, balanced and promotes the long-term sustainability and productivity of the economy. But we also need to ensure that the system is delivering for the needs of society as a whole – not just serving the economy.

We strive to build a nation that values the well-being of our communities and seeks to increase the living standards of all New Zealanders through productive, sustainable and inclusive growth.

The Government's Tax Working Group will consider what changes could improve the structure, fairness and balance of the tax system and also consider the impact on the tax system of the likely economic environment over the next decade.

The Government has also announced the establishment of the Welfare Expert Advisory Group to provide independent advice to the Government on the social welfare system. Inland Revenue supports this work and will, in time, implement any changes as the government agency responsible for the delivery of several social policy initiatives including; Working for Families, Paid Parental Leave and Child Support.

The outcomes of both working groups could have major consequences for the tax system and Inland Revenue.

The third big driver of change is Inland Revenue's business transformation programme. This is all about making tax administration and compliance simpler.

2019 will bring the biggest changes to the New Zealand tax system in a generation. It will affect all New Zealanders, making it easier for them to meet their tax obligations, and receive their refunds and Working for Families entitlements. It will also affect all employers; aligning PAYE with their natural business cycles.

As we contemplate the future and the need for the tax system to adapt to changing requirements, I have every confidence in the department to meet those challenges.

This Statement of Intent sets out Inland Revenue's plans for helping the Government to meet its economic and social policy goals. I am satisfied that the information on future operating intentions is in accordance with sections 38, 40 and 41 of the Public Finance Act 1989, and is consistent with the policies and performance expectations of the Government.



Hon Stuart Nash
Minister of Revenue

Introduction from the Commissioner and Chief Executive



Looking ahead to 2022, managing taxes and social entitlements will be more certain and simple for New Zealanders, as we deliver the final stages of our business transformation. As Commissioner, it is rewarding to see our goal of supporting customers to get it right from the start becoming a reality.

Transforming the revenue system

Our plans to transform the revenue system are ambitious but well underway. These include simplifying some policy and legislative settings to wrap revenue processes seamlessly around how people live and how businesses operate. We are creating an organisation that works better across both public and private sectors to improve outcomes for customers. Our people and customers will be supported with a modern, integrated technology system and analytics that will deliver highly automated digital services.

We will be able to better target services to our customers' needs, and intervene when they need assistance, by making more intelligent use of information. Accounts will be updated more regularly allowing customers to manage their accounts with greater speed and certainty.

Our organisational structure, business processes and policies will become simpler, more streamlined, and centred around our customers. Empowering our people's decision-making and improving processes are making it quicker for our frontline people to resolve customers' queries at first contact.

We're becoming more agile in introducing policy changes for the Government. We will be better positioned to contribute to the broader government outcomes for improving the wellbeing of New Zealanders. By sharing information appropriately across government, we will gain more value from, and add value to, the data held by the public sector, and simplify customers' interactions with government.

We're also working more collaboratively across the public and private sectors to design and deliver the services New Zealanders need. A recent example is Smart Start, an online resource designed around new and expectant parents, provides information and support to help them access the right services for them and their babies.

Underpinning all of this is our new tax and social policy system, START (Simplified Tax and Revenue Technology). We delivered the first two major releases of the START system in February 2017 and April 2018. This is already improving how people and businesses are able to manage their taxes.

The first release gave customers the ability to manage GST through our online service, myIR, or their accounting software. By the end of June 2018, 86% of GST returns were filed electronically. This process gave our customers the ability to file and pay GST at the same time, set up instalment arrangements or amend a return, all online.

The second release moved over a number of tax types and introduced the new Accounting Income Method option for small businesses to pay provisional tax as they earn, through myIR or their accounting software. Employers can also now provide their PAYE information to us electronically through their software or myIR every payday if they choose to.

Transforming Inland Revenue

We took the first steps toward setting up our future organisation in February 2018. We set up two new Customer and Compliance Services groups that will work together to serve our different customer groups. We also set up the new Information and Intelligence Services group, that will support Inland Revenue to serve our customers more effectively by providing data and insights capabilities and tools.

We are planning further organisational change between 2019 and 2020 that will build on these changes. By 2021 we will be a smaller and more efficient organisation, as outlined in the business case for our transformation. This is the combined result of our broader capability based roles, new ways of working, automated and streamlined processes, and digital services.

Supporting our structural, capability and culture changes is a programme of work to encourage diversity across all levels of Inland Revenue. Encouraging a diverse and inclusive culture will help us to better understand and respond to our customers' changing needs, and help them meet their obligations. We also want our people to be a reflection of the communities they serve.

Delivering services and collecting revenue

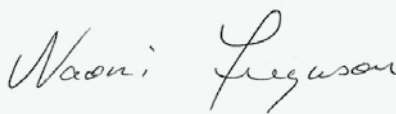
It is essential that we continue to protect New Zealand's revenue base and deliver quality customer service as we transform. We are making tax and social entitlements simpler and easier to help our customers meet their obligations and receive the payments they are entitled to. By doing this we are playing a critical role in improving the economic and social wellbeing of New Zealanders, which is at the heart of

our work. Our work also contributes to the Government's commitment to improve the wellbeing and living standards of all New Zealanders by building a strong economy.

I am excited about the opportunities ahead for our customers and for Inland Revenue. This is a challenging time as we balance providing day-to-day services and maintaining high standards of performance with delivering the final stages of our transformation. We need to use and manage across both the old and new systems during this time. I am confident our people's skills and customer centric approach and our extensive planning will mean we successfully deliver our transformation programme, and a simple and certain revenue system for New Zealand.

Chief Executive's statement of responsibility

In signing this statement, I acknowledge that I am responsible for the information contained in the Statement of Intent for Inland Revenue. This information has been prepared in accordance with the Public Finance Act 1989.



Naomi Ferguson
Commissioner and Chief Executive

What we are here for

Our mission

We contribute to the economic and social wellbeing of New Zealand by collecting and distributing money.

Our outcomes are:

- > Revenue is available to fund government programmes through people meeting payment obligations of their own accord.
- > People receive payments they are entitled to, enabling them to participate in society.
- > New Zealanders benefit economically and socially through Inland Revenue working collaboratively across our external environment.



We collect over 80% of the Government's revenue. In the 2017–18 financial year, we collected \$73.0 billion in revenue to help fund government services for the people of New Zealand.

We also administer a number of social policy programmes. We manage student loan and child support obligations, pay out Working for Families tax credits, parental leave and Best Start payments, and administer KiwiSaver.

We are the principal steward of New Zealand's revenue system. We have a crucial role to play in maintaining and enhancing the integrity of the tax system by making sure the system is clear, consistent and simple. We provide advice to the Government on tax policy and the social policies that we administer. We also advise the Government on international tax issues and are involved in the development and implementation of New Zealand's international tax legislation.

The needs and wellbeing of New Zealanders are at the heart of the work we do. Inland Revenue works with others inside and outside government to deliver services that meet customers' needs and expectations.

We need to make sure we are protecting the integrity of the tax system at all times. This includes our customers':

- trust in us
- rights to confidentiality
- rights to have their tax determined fairly, impartially and according to the law
- responsibilities to comply with the law.

Our customers

We have a wide range of customers, including employees, employers, the self-employed, companies, not-for-profit organisations, trusts, Māori authorities, tax agents, parents, students, savers and investors. As well as all people earning money in New Zealand, our customers include people who live overseas but have tax affairs or social policy obligations here.

We want to make it easy for our customers to interact with us and to pay and receive the right amount, whatever their circumstances.

Tax affects everyone, and social policy programmes affect most New Zealanders too. We are committed to making this as seamless and easy as possible. As the make-up of New Zealand changes, we must change to make sure we can keep meeting our customers' expectations.



Individuals

Nearly
3.5 million
people paid pay-as-you-earn (PAYE) tax or filed a personal tax return.



Families

We distributed
\$2.2 billion
in Working for Families entitlements.



Businesses

202,000
employers filed more than 2 million employer monthly schedules with pay-as-you-earn (PAYE) deductions for employees.

Nearly
720,000
people have student loans. We collected almost \$1.3 billion in student loan repayments.

More than
164,000
parents pay child support. We collected \$473 million in child support and distributed \$287 million to carers.

More than
377,000
company tax returns were filed.

2.9 million
people are enrolled in KiwiSaver. We transferred \$6.0 billion to scheme providers.

Around
41,900
parents received \$288 million in paid parental leave payments.

640,000
registered customers filed more than 3 million goods and services tax returns.

Statistical information about our customers is available at www.ird.govt.nz/aboutir/external-stats/customers/. This shows, for example, numbers of our customers by customer group, entity type and geographic area.

What we want to achieve

Our vision

A world-class revenue organisation recognised for service and excellence.

We want to achieve our outcomes and keep our customers at the centre of everything we do. We are making tax simpler and easier to help our customers meet their obligations and receive the payments they are entitled to. We also collaborate with other agencies across government and other service providers to improve services to New Zealanders.

Our strategic objectives are what we focus on in order to achieve our mission, vision and outcomes. They are to:

- Grow voluntary compliance by making it easier for people to get it right.
- Reduce customer compliance costs.
- Make government policy changes faster and more cost-effectively.

Our impacts show the difference we want to make, so our customers are able to get it right from the start:

- Our customers know what to do.
- Our customers find it easy.
- Our customers do what they need to.
- We use intelligence and insight to improve compliance and customer outcomes.
- We deliver evidence-based policy that is innovative and responsive to customer needs.
- We work with others to create better results for customers and government.

Contributing to government priorities

The Government has 12 priority outcomes grouped into three broad themes:

Building a productive, sustainable and inclusive economy

- grow and share New Zealand's prosperity
- deliver responsible governance with a broader measure of success
- support thriving and sustainable regions
- transition to a clean, green and carbon neutral New Zealand

Improving the wellbeing of New Zealanders and their families

- ensure everyone is earning, learning, caring or volunteering
- support healthier, safer, and more connected communities
- ensure everyone has a warm, dry home
- make New Zealand the best place in the world for children

Providing new leadership by government

- deliver transparent and compassionate government
- build closer partnerships with Māori
- value who we are as a country
- create an international reputation we can be proud of

We contribute to these priorities through collecting and distributing money, making our services more accessible and easy to use, and working with other agencies to build quality public services, share information and realise better outcomes for New Zealanders.

Strengthening diversity and inclusion

Meeting the diverse needs of New Zealand’s people is important to us. Having a diverse workforce and an inclusive culture enables us to better understand and respond to our customers’ needs. As we become a more customer-centric and intelligence-led organisation, our diverse workforce will help us design and deliver the right services for our customers and support compliance in tailored ways.

We are committed to ensuring that a diversity of views is represented at every level of the organisation. Our approach to strengthening diversity and inclusion includes a Diversity and Inclusion Champion who provides leadership for our diversity and inclusion work plan, and Te Manu Korihi—an advisory group made up of external and internal members who provide diverse perspectives on a range of issues.

Overall, our workforce currently reflects the ethnic composition of New Zealand with our people representing 114 different ethnicities.

Our ethnicity profile, based on Statistics New Zealand Standard Reporting, is:

	New Zealand (2013 Census)	Inland Revenue (Human Resource Capability Report 2017)
European	74%	73.6%
Māori	15%	12.1%
Asian	12%	15.3%
Pacific Peoples	7%	6.7%

As people can identify with more than one ethnicity, these figures add up to more than 100%.

Our gender profile is currently:

	Female	Male
All staff	64%	36%
All people leaders	58%	42%

Addressing the gender pay gap

The overall gender pay gap at Inland Revenue is currently 19.4%. This means that when all salaries are averaged, women earn approximately 80 cents for every \$1 earned by male staff. A significant contribution to this gap is the under-representation of women in senior leadership and more complex roles. Although women make up the majority of staff across Inland Revenue, and there are more women than men on our executive leadership team, men make up the majority of staff on salaries above \$100,000.

We generally appoint new staff at similar positions on their salary band, irrespective of their gender. However, for people leaders, our data shows we appoint women at lower points on the salary band than men. This results in a gender pay gap for people leaders that continues over time, despite women generally performing better in their first year as we have seen in the past through performance ratings. Our focus is to understand the drivers of the gender pay issue and develop specific actions to reduce the overall gender pay gap.

Our changing operating environment

To set our strategic direction, we need to understand our operating environment and explore how it could change in the future. We evaluate our environment to identify existing and emerging trends, risks and opportunities. This allows us to be responsive and build resilience, ensuring sustainable and successful delivery of our services and the achievement of our mission, vision and outcomes.

As part of our work to understand our operating environment, we seek information and insight from others and share our own with them. Through this work, we connect across both the public and private sectors, both nationally and internationally. This includes working with the Organisation for Economic Co-operation and Development, the Australian Taxation Office, and Her Majesty's Revenue and Customs in the United Kingdom.

Our strategic futures programme, Te Kāhu Mataroa¹, allows us to better understand our future operating environment. We structure our thinking around eight global drivers of change that allow us to consider the effect of change on New Zealand's economy and society, and therefore the possible impacts on Inland Revenue's products, services and ways of operating. We can determine how we need to respond, including what changes we need to make to our strategic direction.

The eight drivers of global change

- **Empowered individuals**—people connecting directly with each other instead of through institutions.
- **Disruptive technology**—advances in technology that are changing business models, how whole sectors operate, and the type of company that is dominating certain sectors.
- **Maturing digital ecosystem**—the cloud, social networks, mobile, big data.
- **Population growth**—global population growth, and increasing competition for food, water, energy, and land.
- **Demographic transition**—ageing populations in many countries and the affordability challenge this poses; ethnicity and cultural changes in society.
- **Power shift**—global economic power shift from west to east.
- **Climate change**—disruptions through drought and flood, and increases in pests and diseases.
- **Urbanisation**—cities driving economic growth and how urban centres are evolving.

Our research and analysis indicates these drivers of change have remained the most relevant for Inland Revenue over several years. We check the relevance of drivers on a regular basis.

Recent research also shows other aspects of the environment are beginning to challenge us. Rapid technological change, globalisation and social inequity are leading to declining trust in government and institutions in many countries. In some countries there is an increase in restricting international trade to protect local businesses and jobs. There is a rise of organisations, including multinational companies, that influence society and political decisions but are independent of government. We will continue to look at research about the changing nature of government to assess whether it needs to join our drivers of change.

The operating environment is evolving quickly, but we are well placed to manage change.

We will continue to consider the potential impacts of the drivers of change on New Zealand. This work includes regular environmental scanning that feeds into our planning, risk, policy and strategy development processes.

¹ Te Kāhu Mataroa – Kāhu is a harrier hawk that spends time aloft with its keen eyes looking to pick up what's important, heading to earth when it sees something it wants. The Mataroa part is about focusing on and giving great consideration to something. In this case it's giving that focus to what we see on the horizon. This relates to the environment we are scanning.

Te Kāhu Mataroa

Te Kāhu Mataroa is our strategic futures programme. We are exploring a number of topics arising from the connections between the eight global drivers of change, looking at their implications for Inland Revenue and the tax and social policy system. These topics include:

- **Demographic change** In the coming decades there are likely to be greater calls on health care and superannuation, but with a proportionally smaller workforce paying income tax. This presents an affordability challenge for the government.
- **Disruptive technology, including distributed ledger technology** This is the technology that underlies Bitcoin. It enables databases without a central repository—instead each participant holds a copy of the database. This is anticipated to be the biggest short-to-medium term disruption to financial systems and financial service business models worldwide.
- **The nature of work** The existence of jobs and business as we know it is changing. This includes greater automation, artificial intelligence, more people exchanging goods and services directly, and more people working in short-term positions for multiple employers.
- **The public sector** How the public sector delivers services needs to keep pace with changes in society. Customers' expectations have implications for technology, information sharing, and how the sector works with other parts of society.
- **Trust in government institutions** This is vital for motivating people to pay their taxes and for the successful implementation of policy. This trust has been eroding in many countries. The situation is not yet clear in New Zealand, but longer term it may mean Inland Revenue cannot rely on operating in an environment of high trust. There are already differing levels of trust in Inland Revenue and the wider public sector between different ethnic, socio-economic, and demographic groups.

From these topics, and others that may arise, such as the rapid growth and power of digital multinational organisations, we will strive for continuous improvement to keep the tax and social policy framework and wider system sustainable and relevant. As we anticipate and prepare for a new operating environment we will adjust our strategy when needed.

How we will achieve our objectives

We believe we are most likely to achieve our objectives by keeping our customers at the centre of everything we do. Our strategy provides direction and focus, to help us achieve better outcomes for our customers and government. We also have specific segment strategies for our different types of customers to help us to design our services around our customers and their needs.

We are creating a modern, digital revenue system that will meet the needs of all New Zealanders. As part of this transformation, we are making tax simpler and easier, to help our customers meet their obligations and to make sure they receive the payments they are entitled to. We are also changing our organisational structure and the way we work.

As we change our organisational structure, systems and processes, it is essential that we continue to be a trusted, effective and efficient government agency. We will continue to ensure our organisation and governance structure is efficient and effective. We are managing any risks to our business so that we can achieve our strategic and operational objectives.

Our plans over the next four years are ambitious. We need to progress our transformation as quickly as possible to minimise the risk associated with operating two systems at the same time. This means we have limited capacity to implement additional changes beyond the plans set out in this document.

Adding to this context are the reviews of the tax and social welfare systems that are currently underway. These are being led by the Tax Working Group and Welfare Expert Advisory Group. Recommendations from these might lead to changes to the Government's tax policy work programme.

Our strategy

Our strategy is our long-term approach to creating value and better outcomes for New Zealanders. It provides us with direction and keeps us focused throughout our transformation and beyond. Our strategy was developed in the context of our transformation and looks beyond the transformation programme itself. Our strategy has six interconnected strands, which are described on the following pages. The intent and delivery plan for each strand will continue to develop over time as our operating environment changes and as we transform.



Customer: Putting the customer at the centre of everything we do

- We anticipate and proactively support key events in our customers' lives at the right time.
- We use customer insights to inform activities.
- Our services are seamless, and tax and social policy are integrated into customers' lives.
- We partner with others to deliver service excellence to customers—from policy design, to education, to audit.
- We make it easy for customers to get it right and we reduce compliance costs and effort.

We are becoming a customer-centric organisation—fitting our processes more seamlessly into customers' lives, rather than expecting them to fit their lives around our processes. We are developing greater understanding of our customers so that we and our partner organisations can provide the right support at the right time. To help us put our customers at the centre of everything we do and to design our services around our customers, we have identified five customer segments; families, individuals, micro business, small and medium

enterprises, and significant enterprises. Being customer-centric will mean we can improve customers' experiences and decrease their costs when dealing with tax and social policy. There are three broad ways we are bringing this about:

1. Organising ourselves around our customers and outcomes rather than products and **outputs**. Our culture, capabilities, and processes will help our people to bring a greater understanding of our customers into the design and delivery of services.
2. Building our understanding of our customers and using customer insights to continuously inform and improve our activities. This includes using **continuous learning loops** to improve as we go.
3. Designing customer experiences that reduce customers' compliance cost and effort and increase their trust in us. We want to provide personalised, timely and seamless services that are integrated across government and other business partners.



External collaboration: We work with external parties to innovate, gain insight, and achieve wider government economic and social outcomes

- We will build capability, which supports external collaboration.
- We co-create services, adapting our business model where appropriate.
- We use our information and expertise to create mutual benefits.
- We share information and resources using appropriate safeguards.

New Zealanders will benefit socially and economically through Inland Revenue working collaboratively and being part of the broader public service. Our information and expertise are strategic assets that we will share to benefit government and society. Our customers cross boundaries and borders in an ever-changing environment. To provide better support and deliver a seamless experience for customers of government agencies, we need to work across those boundaries and borders too. There are three broad ways we are bringing this about:

1. Understanding our external environment and positioning ourselves accordingly.
We take a holistic view across our external environment so that we can adapt to changes and innovate.
2. Extending our boundaries.
We participate in the wider system, working with other government agencies and with private-sector and not-for-profit parties when it makes sense. We collaborate with others to make dealing with government easy.
3. Adapting the way we work.
We use our improved commercial understanding to change the way we operate, and use superior relationship management skills to engage and deliver results with our stakeholders. We reduce or remove barriers that stop us using information and expertise to deliver value.



Information and intelligence: Our decisions and actions—for delivering today and shaping our future—are intelligence-led

- We understand information we collect and the insight and intelligence we generate through the knowledge and experiences of our people is a strategic asset that needs to be managed and shared appropriately.
- We use information and insights to create actionable intelligence.
- Intelligence drives our strategic and tactical decision making, including knowing where and when to direct resources to realise value for customers, Inland Revenue, the public service, and the Government.

As we become increasingly intelligence-led over the next four years, the quality, timeliness and accuracy of the information we collect will improve, and we will identify more opportunities to share information. This will help us to target resources to the areas that provide the best value

to customers and government. Using customer insights will help us to continually improve our activities, to maintain and enhance the integrity of the tax system by better targeting our interventions, and to design and deliver the right customer experience. We will:

1. Implement better information management practices, and appropriately share information across Inland Revenue, across government and with business partners.
2. Develop our capability to use information and insights to create intelligence, including lifting our advanced analytics capability.
3. Build our culture of intelligence-led decision making and consistently measure and evaluate activity to focus on what works.



Digital: We fully embrace our place in the digitally connected world

- As part of the digital world, we make it easy to collaborate with customers, agencies and others.
- Our culture and flexible systems mean we design and make changes quickly.
- Our customers can easily access secure digital services anywhere, any time.
- We use the digital environment to help generate actionable insights.
- We encourage, empower and upskill our people to make best use of digital ways of working.
- We strategically manage digital opportunities and risks from disruptions.

We are transforming so that we can deliver a modern, digital revenue system that will better serve our customers' needs. In the future, we expect most people will interact with us through simple and secure digital services, and most tax transactions will be managed through accounting software used by businesses, employers, tax agents and intermediaries.

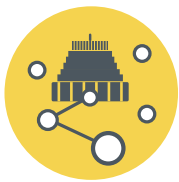
Our digital systems, channels and services do not stand alone—they are part of the wider digital 'ecosystem'. Being

part of the digital world gives us unprecedented opportunities to better meet the expectations of our customers and our own people, to connect more easily with others, and to share useful information quickly.

As well as being prepared to take advantage of digital opportunities as they arise, we need to be prepared for disruptions. We will continue to refresh our approach to keep pace with the rapidly changing digital world.

The key ways we are implementing our digital vision are:

1. Using flexible and collaborative information and communications technology services and platforms to provide better digital services and lift our advanced analytics capability.
2. Establishing a Digital Centre of Excellence to help us identify areas of best value from our digital capability and manage that capability effectively.
3. Working with our customers, our people, our business partners and other agencies to continually develop our approaches and respond to innovative ideas.



Policy agility: Policy change is faster, cheaper and better—fit for a changing world

- Our policy design is proactive, coherent and integrated, from idea generation and advice, through to implementation.
- We implement policy decisions speedily and smoothly.
- We deliver high quality advice that is future focused, realistic about the impacts and based on good information and analysis.
- We are a trusted and credible voice that shapes and delivers government and system outcomes.
- We use innovative, flexible and creative practices to design policy, supported by strong economic frameworks and broad consultation.

Policy agility applies across our end-to-end policy process, from idea generation and innovation, through policy development, to implementation and evaluation. We will develop new ways of working, with everyone involved working more effectively together. Policy advice will be supported by better information and analytics and will be more joined up across government.

We need greater policy agility so that we can maintain our world-class revenue system in an increasingly complex and

changing world. We will retain and grow the capabilities our people need to become policy professionals of the future and improve our tool-sets so that our policy advice is high quality, timely and evidence-based.

Improving our policy agility helps us meet our regulatory stewardship responsibilities, ensuring we are taking a proactive, collaborative approach to the monitoring and care of the legislation that we administer.

We are lifting our policy agility through three areas of work:

1. Making changes now so that we are best placed to delivery policy agility in the future.
2. Better implementation of policy, largely being delivered through our new technology platform, new organisation structure and ways of working.
3. Lifting information and analytical capability to enable enhanced modelling of impacts (including economic, revenue, compliance, behavioural and administrative impacts) and better evaluation of policy.



People: Working as part of Inland Revenue is unique, exciting, fulfilling and career-enhancing

- We value individuals and diversity of thought and capability.
- We find, develop and deploy people on the basis of their capabilities, which are a mix of skills, knowledge, experience and attitudes.
- We design roles to be adaptable, interesting and empowering.
- We recognise and measure performance through behaviours and individual and team contribution to outcomes.
- We work with other organisations to develop fulfilling career journeys in, through and beyond Inland Revenue.

To achieve the strategic vision for our people, we are focusing on four connected elements:

- Ethos—our values, spirit and mind-set.
- Experience—the practice and reality of working as part of Inland Revenue.

- Environment—the settings and surroundings within which our work is done.
- Expectations—the performance assumptions that define the working relationships between Inland Revenue and our people.

These will be delivered in line with three guiding principles:

1. Individuality matters. We will listen to the perspective of what works for each member of our workforce the same way we do with each of our customers.
2. Empowerment guides our practice. As an organisation we will work to provide a range of options for our people, enabling them to make decisions about how best they can deliver and perform.
3. Agility keeps us relevant. We will design and manage our work as flexibly as we can, with simple approaches and processes that can adapt as we need them to.

Completing our transformation programme



Inland Revenue is transforming. We are creating a modern, digital, revenue system that is:

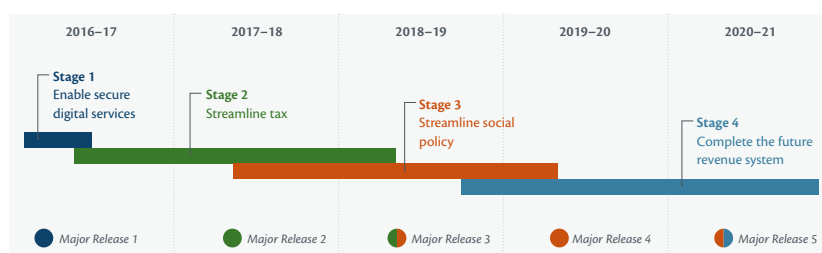
- based around customers' needs
- easy to understand and interact with
- digital and highly automated, with software doing most of the work
- more responsive, flexible and certain for customers
- more flexible to implement policy change for government
- linked to services delivered by others inside and outside government.

Customers will spend less time and effort ensuring they meet their obligations and receive their correct social policy entitlements, as tax will be correctly withheld and assistance provided at the time it is needed. The Government will have greater ability to make policy changes faster and more effectively and will be better able to use the information we hold to deliver improved outcomes for New Zealanders.

Transformation is more than an upgrade of technology. It includes changes to policy, process, technology and Inland Revenue's organisational design. It involves:

- simplifying policy and legislative settings
- making more intelligent use of information to proactively ensure customers get it right from the start
- fitting revenue processes seamlessly into people's lives
- creating an organisation that works together better to improve outcomes for customers
- implementing a modern technology system that is digitally based and highly automated.

New Zealand's revenue system is being transformed in overlapping stages:



Within these stages, taxes and entitlements will be moved to the new system in a series of releases. Major releases are planned to align with the beginning of the tax year in each of the next three years.

The first release, GST, was in February 2017. In April 2018, release 2 involved withholding taxes, fringe benefit tax, payroll subsidy and gaming machine duty being moved to the new system. This release enhances customer experiences, reduces the effort required by businesses to meet their obligations and improves customer compliance through:

- employers being able to provide PAYE information to Inland Revenue every payday if they choose to
- an enhanced myIR service, enabling employers to correct payroll errors themselves once they have adopted payday reporting
- the introduction of the accounting income method option for calculating provisional tax
- the implementation of the Automatic Exchange of Information (AEOI) with international tax treaty partners.

Based on the current release plan, remaining taxes and Working for Families, including BestStart, will be implemented in the new system in April 2019. KiwiSaver and student loans are scheduled for April 2020, and child support for April 2021. We plan to move taxes into the new system before we move our social policy products to ensure that the income information the entitlements rely on is accurate.

The implementation of release 3 in April 2019 is a key milestone, when all customer records will be in our new system. For this implementation, we will learn as we go and refine our rollout plan accordingly. Following release 3, we will be in a stronger position to implement any recommendations adopted by Cabinet from either the Tax Working Group or the Welfare Expert Advisory Group.

Changing the way we work

We are making changes to our systems and processes and we are changing the way we work. We are becoming increasingly:

- Customer-centric: We understand the many influences on each customer, and decide how we will work with them to get the best outcomes for New Zealand.
- Intelligence-led: We are confident we make good decisions based on quality information and analysis. We continually test and learn to know what the best approaches will be.
- Agile: We work at pace, pulling together the right people to make good decisions quickly, focusing on the things that matter most.

We are making changes to our leadership and culture, our decision making framework and delegations, our workflows, how we measure ourselves, how we are structured and our roles.

Designing and implementing a new organisation

We have taken the first steps to create our future organisation. In February 2018, our new Customer and Compliance Services and Information and Intelligence Services groups were established. Further organisational change is expected in the 2019–20 financial year that will build on these changes. Once our business transformation programme is complete, we will be a smaller and more effective and efficient organisation.

Our new design enables people to apply their skills more broadly to a range of work, work together more closely, provide better services to customers and make the most of a new and evolving working environment, supported by technology.

We have redesigned some of the foundations that support our people to succeed. Our roles are broader and more outcome-focused, and our performance approach is aligned to the key shifts we want to achieve. We also have a comprehensive programme to help our staff develop their capabilities, a tailored approach to learning and development, and a focus on supporting our leaders to coach and develop their people.

We are progressively embedding new ways of working. We will measure our progress throughout the changes to help us take an intelligent, capability-led approach to planning and managing our workforce, and we will monitor the experience of our people so we can be responsive to their needs.

Benefits from our transformation

The changes being delivered by transformation will:

- Enhance our ability to collect tax revenue and distribute entitlements.
- Improve the Government's ability to make policy changes faster and more cost-effectively.
- Grow voluntary compliance by making it easier for people to get it right and, using analytics, target our interventions where they are needed.
- Create an information asset that can be leveraged by Inland Revenue and, where appropriate, other agencies to deliver improved outcomes for New Zealand.
- Deliver cumulative additional Crown revenue of \$2,880m–\$6,175m by 2023–24.
- Deliver cumulative compliance cost savings (economic benefits) for small–medium sized enterprises in particular, until 2023–24 of between \$1,330m–\$2,265m (a reduction of 18–26 hours spent on compliance each year by 2023–24).
- Enable Inland Revenue to realise administrative savings of \$495m–\$580m by 2023–24.

Managing our organisation

Our organisational structure

We organise ourselves into business groups. We work collaboratively across these groups, sharing information with one another and combining our skills and knowledge to improve outcomes for our customers, government and ourselves.

Our current business groups are:

Corporate Integrity and Assurance provides independent advice, support and assurance, making sure we are doing the right things in the right way.

Customer and Compliance Services—Business assists customers to work through complex tax arrangements and compliance issues.

Uses analytics, forensics and case management to target end-to-end services.

Fosters relationships with delivery partners to support service delivery.

Customer and Compliance Services—Individuals assists customers to seamlessly comply and access entitlements right from the start through delivering targeted and efficient services and communications.

Uses analytics and the understanding of lifecycle events to design end-to-end services that are increasingly automated and self-managed.

Information and Intelligence Services helps us keep customers' needs in mind, and use data and intelligence to help us understand and influence customer behaviour.

Information Technology and Change develops, delivers, improves and supports our information technology systems.

The Office of the Chief Tax Counsel provides technical advice about the interpretation and application of tax law for us and our customers.

People and Culture enables us to lift organisational performance through our people.

Performance, Facilities and Finance provides facilities for our people, business performance analytics, financial and planning advice, and analysis.

Policy and Strategy provides tax and social policy advice to the Government, with the Treasury, and leads the development of our strategy.

Transformation ensures transformation is implemented successfully, including delivery of solutions, services and benefit enablers, managing costs within the approved funding, and meeting committed timeframes.

Manages robust change processes to ensure stakeholders' needs are met and supports stakeholders to adopt new systems and processes.

Our governance structure



Our governance bodies lead and guide our organisation. They set our strategic direction and oversee our progress. The boards and committees that make up our governance system are as follows:

- **The Strategic Governance Board** governs our strategic direction. This includes ensuring all elements of our transformation come together and having oversight on where we may need to speed up or slow down investment in our transformation journey.
- **The Performance and Investment Committee** governs our organisation performance and investment decisions, assuring alignment with our strategic objectives and Government policies.
- **The Portfolio Governance Committee** governs all existing programmes and projects within our single investment portfolio to ensure they are managed well and remain healthy.
- **The Technical Governance Committee** ensures the effective co-ordination and management of our legal and technical business and significant tax technical issues.
- **The Customer-centric Committee** focuses on developing capability relating to customer understanding, including how intelligence can be used to better understand our customers and enhance our decision-making.
- **The Organisation Development Committee** governs the development of our organisation and workforce, ensuring alignment with our strategic direction.

Membership is based on having the right expertise across the different governance forums, with a mix of executive leaders, senior leaders and external members where appropriate.

The members have clearly defined roles and responsibilities to ensure separation of governance and management accountabilities.

We regularly review our governance structure to ensure it is providing the optimum oversight and support.

We also have a Risk and Assurance Committee that provides independent advice to the Commissioner regarding Inland Revenue’s risk management and system of internal controls.

Managing our risks

Our risk management approach relies on the support and participation of all our staff. Each business group is responsible for identifying, monitoring and mitigating the risks in their business area.

We have an Enterprise Risk Management Framework based on international standards for identifying and managing risks.

This approach supports risk-based decision-making across all levels of the organisation.

We regularly discuss and update our enterprise risks, alongside the triggers that could cause each risk to eventuate, the consequences should that happen, and the controls in place to reduce the risk’s likelihood and consequences.

The Strategic Governance Board oversees risk management, and other governance bodies monitor specific areas of risk and performance. The Risk and Assurance Committee provides independent oversight.

Our current enterprise risks are:

Enterprise risks	Some of our controls
Inability to ensure continuity of business services.	<ul style="list-style-type: none"> • Our information security policy and standards. • Our incident management process. • Our business continuity plans.
Failure to meet expectations of Government—new priorities, core business, business transformation.	<ul style="list-style-type: none"> • Our organisational and transformation-specific governance. • Developing tax policy through the generic tax policy process. • Regular meetings with Ministers.
Insufficient people capability and capacity to deliver outcomes.	<ul style="list-style-type: none"> • Our organisational change processes. • Our workforce planning.
Unexpected stakeholder reaction to the transformation changes.	<ul style="list-style-type: none"> • Regular engagement with customers and other stakeholders, including: <ul style="list-style-type: none"> – involving them in developing and testing changes – giving them information about, and help with adopting, changes.
Failure to maintain the integrity of Inland Revenue’s information.	<ul style="list-style-type: none"> • Our information classification and handling policy and processes. • Our system access controls. • Our process for developing information-sharing protocols.
The levels of voluntary compliance are reduced for a sustained period.	<ul style="list-style-type: none"> • Developing tax policy through the generic tax policy process. • Educational and marketing campaigns to help customers understand and meet their obligations. • The customer strand of our corporate strategy, which puts customers at the centre of everything we do.

How we will monitor our performance

Our Performance Measurement Framework shows how we intend to organise and use our resources to deliver services to New Zealanders and contribute to the social and economic wellbeing of New Zealand by collecting and distributing money. We updated it recently to reflect a shift in focus from the activities we do to the outcomes and impacts we want to achieve.

Our outcomes are the long term results we want to achieve to ensure we contribute to the economic and social wellbeing of New Zealand by collecting and distributing money. We measure our progress in achieving each of our three outcomes.

Our impacts show the difference we want to make, so our customers get it right from the start. The measures for our three customer impacts indicate our effectiveness in enabling our customers to get it right. The measures for our three supporting impacts track what we are doing to make it easier for our customers.

Our services are what we deliver for our customers and stakeholders. Our operational performance is assessed through our output measures. These measures ensure we remain on track to achieve our impacts and outcomes.

Our organisational health is about how we use our resources to deliver for our customers and Government, and ensure our performance is sustainable. Our organisational health measures let us know how our people are doing, as well as our systems, assets, investments and finances.

Our culture is what is important to us in how we work.

We have woven measures of **integrity** through all layers of our performance measurement framework to reflect our commitment to protecting the integrity of the tax and social policy system.

Each year we review our measures and targets to make sure they continue to reflect the range of services we provide and the changes in our operating environment, and that they continue to support the achievement of the outcomes we are seeking.

Reporting our performance

We report:

- our performance to Parliament and the people of New Zealand through our Annual Report. The current and past Annual Reports are available at www.ird.govt.nz/aboutir/reports/annual-report/
- on our transformation, including implementation progress and benefits realised. We report to Cabinet twice a year. The Ministers of Finance and Revenue also receive updates on our transformation every month. The cabinet papers and programme updates are available at <http://www.ird.govt.nz/transformation/bt-programme/publications/business-transformation-reports.html>
- our outcome, impact and output measures and our financial performance to the Minister of Revenue quarterly
- our output measures, financial performance, and financial position to our senior leaders monthly
- on a wide range of strategic and operational measures and indicators to our Performance and Investment Committee monthly.

Performance Measurement Framework 2018-19

Our Mission

We contribute to the economic and social wellbeing of New Zealand by collecting and distributing money

Our Vision

A world-class revenue organisation recognised for service and excellence

Our Outcomes

Revenue is available to fund government programmes through people meeting payment obligations of their own accord

People receive payments they are entitled to, enabling them to participate in society

New Zealanders benefit economically and socially through Inland Revenue working collaboratively across our external environment

Our Impacts

Customers get it right from the start

Customers know what to do

Customers find it easy

Customers do what they need to

We use intelligence and insight to improve customer outcomes and revenue

We deliver evidence-based policy that is innovative and responsive to customer needs

We work with others to create better results for customers and government

Our Services

Services for customers

Policy advice

Services to other agencies

Transformation

Our Organisational Health

Sustaining our performance through having a clear, responsive and resilient vision, strategy, and culture that ensures we have the capacity and capability to deliver for our customers and Government

Our Culture

Customer-centric

Intelligence-led

Agile

Integrity

