



1 February 2022

[Redacted]

Dear [Redacted]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 14 December 2021. You requested the following:

Question 1: *Does the Inland Revenue Department use the Treasury's Living Standards Framework?*

If yes,

How long has the Inland Revenue Department been using the Treasury's Living Standards Framework?

How is the Framework used in decision making? Can you supply an example of this? (Please provide either a link from your website or an internal document that is approved for release.)

How do you measure against the Framework? Can you supply a recent example? (Please provide either a link from your website or an internal document that is approved for release)

What reporting is produced from this measurement? Can you supply the most recent example? (Please provide either a link from your website or an internal document that is approved for release)

If no,

Is the Inland Revenue Department using a wellbeing framework? What is it called?

How does the Inland Revenue Department use the wellbeing framework to inform your decision making process?

How long has the Inland Revenue Department been using a wellbeing framework?

How is it used in decision making? Can you supply an example of this? (Please provide either a link from your website or an internal document that is approved for release)

How do you measure against it? Can you supply the most recent example? (Please provide either a link from your website or an internal document that is approved for release)

What reporting is produced from this measurement? Can you supply the most recent example? (Please provide either a link from your website or an internal document that is approved for release)

Question 2: *Does the Inland Revenue Department use a wellness framework in addition to the Treasury's Living Standards Framework? (Please supply a link to the additional wellness framework on an external facing website or an internal document that is approved for release.)*

Question 3: *Does the Inland Revenue Department use the Treasury's He Ara Waiora Framework?*

If yes,

How does the Inland Revenue Department use the Treasury's He Ara Waiora Framework in the decision making process?

How long has the Inland Revenue Department been using the Treasury's He Ara Waiora Framework?

How is it used in decision making? Can you supply an example of this? (Please provide either a link from your website or an internal document that is approved for release.)

How do you measure against it? Can you supply the most recent example? (Please provide either a link from your website or an internal document that is approved for release)

What reporting is produced from this measurement? Can you supply the most recent example? (Please provide either a link from your website or an internal document that is approved for release)

If no,

Is the Inland Revenue Department using a Māori-focused wellbeing framework? What is it called?

How does the Inland Revenue Department use their Māori wellbeing framework to inform your decision making process?

How long has the Inland Revenue Department been using your Māori wellbeing framework?

How is it used in decision making? Can you supply an example of this? (Please provide either a link from your website or an internal document that is approved for release)

How do you measure against it? Can you supply the most recent example? (Please provide either a link from your website or an internal document that is approved for release)

What reporting is produced from this measurement? Can you supply the most recent example? (Please provide either a link from your website or an internal document that is approved for release)

Question 4: *Does the Inland Revenue Department use a Māori focused wellbeing framework in addition to the Treasury's He Ara Waiora Framework? (If yes, please supply a link on an external facing website or an internal document that is approved for release.)*

Question 5: *In your Inland Revenue Department how do you use Wellbeing Frameworks in your decision making, measurement and reporting?*

Question 6: *In Inland Revenue Department how do you interface with values around nature?*

Inland Revenue provided support to the Tax Working Group and the development of He Ara Waiora in 2018, which has the goal of creating a more future-focused tax system by engaging tikanga Māori. The *Exploring Te Ao Māori Perspectives on the Living Standards Framework for the Tax Working Group* is available on the Treasury's website: <https://www.treasury.govt.nz/sites/default/files/2018-09/dp18-11.pdf>.

While Inland Revenue does not use the Treasury's Living Standards Framework for all policy projects, aspects of the Framework are referenced depending on the nature of policy questions, usually in the context of major reforms such as in the Tax Working Group's 2018 *Future of Tax Final Report*: <https://taxworkinggroup.govt.nz/resources/future-tax-final-report.html>.

Inland Revenue relies on framework thinking to assess policy issues and make informed decisions and recommendations. The primary framework is a set of well-established tax policy design principles. Those principles are:

1. **Efficiency and growth:** Taxes should be, to the greatest extent possible, efficient and minimise (as much as possible) impediments to economic growth. That is, the tax system should avoid unnecessarily distorting the use of resources (e.g. causing biases toward one form of investment versus another) and imposing heavy costs on individuals and firms.
 - a. Efficiency also encompasses environmental protection through the use of an externalities framework. Externalities are where there are affects on third parties that are not taken into account by the people undertaking the activity – a common issue with environmental resources.
2. **Equity and fairness:** The tax system should promote fairness. The burden of taxes differs across individuals and businesses depending on which bases and rates are adopted. Assessment of both vertical equity (the relative position of those on

different income levels or in different circumstances) and horizontal equity (the consistent treatment of those at similar income levels, or similar circumstances) is important.

3. **Revenue integrity:** The tax system should be sustainable over time and minimise opportunities for tax avoidance and arbitrage.
4. **Fiscal impact:** Tax reforms need to be affordable given fiscal constraints, and the tax system must raise sufficient revenue to support the Government's fiscal strategy.
5. **Compliance and administration cost:** The tax system should be as simple and low cost as possible for taxpayers to comply with and for the Inland Revenue Department to administer.
6. **Coherence:** Individual reform options should make sense in the context of the entire tax system. While a particular measure may seem sensible when viewed in isolation, implementing the proposal may not be desirable given the tax system as a whole.

An example of Inland Revenue using this framework is in the recent Regulatory Impact Statement (RIS) on limiting interest deductibility on residential investment property. This is publicly available on Inland Revenue's Tax Policy website: <https://taxpolicy.ird.govt.nz/publications/2021/2021-ris-interest-deductibility>. The RIS relied on these principles to assess the proposal to:

1. Improve housing affordability for first home buyers
2. Maintain the rate of development of new housing stock; and
3. Improve housing affordability in the rental market

Frameworks like this have been used for a very long time to assess the design of the tax system, including in the McLeod Tax Review of 2001, The Tax Working Group of 2010, and the Tax Working Group of 2018. For further detail about Inland Revenue's tax policy framework, you can go to: <https://taxpolicy.ird.govt.nz/en/publications/2012/2012-other-bim/3-policy-challenges>.

Inland Revenue is also developing an officials' framework for environmental and resource pricing. Once complete, this framework will be used by officials in central and local government to determine whether a pricing instrument such as a tax, cap and trade regime, subsidy or resource charge is an appropriate tool to address a given environmental or resource issue. It is intended that the framework will increase New Zealand's toolkit of responses so it can effectively address a growing number of complex environmental and resource challenges.

Inland Revenue does focus on delivering the Tiriti o Waitangi obligations of incorporating Māori principles, concepts and practices into the way Inland Revenue works through Māhutonga. Māhutonga is Inland Revenue's programme that seeks to build Māori cultural capabilities through Te Arapiki, a stair-cased learning approach that aligns to the expectations set out by Te Arawhiti (the Office for Māori Crown Relations) for all public servants. Te Mata o Te Arero is our Māori language plan which supports the revitalisation of te reo Māori. You can read more about Inland Revenue's Māhutonga programme by searching "Delivering Māhutonga" on <https://www.ird.govt.nz>.

Please note that Inland Revenue regularly publishes on its website responses to requests that may be of interest to the wider public, and that may include this response. Your personal details or any information that would identify you will be removed prior to this response being published.

Thank you for your request.

Yours sincerely



Phil Whittington
Chief Economist