



Transforming Inland Revenue

March 2023



The NZ government made a significant investment in transforming Inland Revenue's capabilities

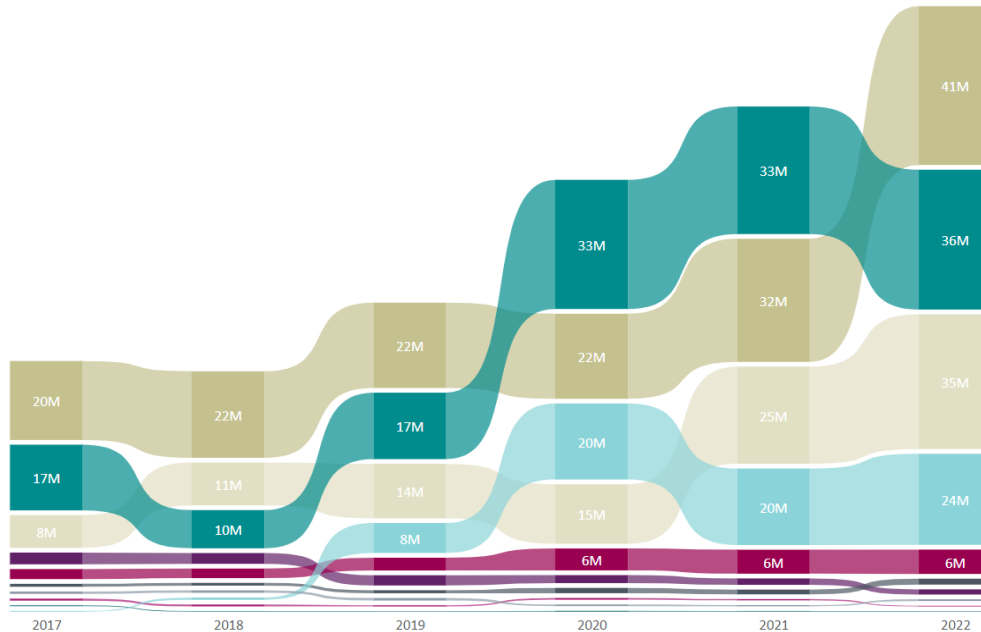
- Significant changes since 2017
- A modern, digital, revenue system
- New systems, simple requirements, and better customer experiences
- Customers have gone digital, processing is near-real time, and policy settings have been simplified
- Our people work in new ways and have new capabilities



From A system driven by administrative requirements	To A system based around customers' needs
Customers providing us with information	Pre-populated information that customers confirm
Information sent at defined points in time	Systems exchanging information in near real time
Products with unique processes	Standardised processes and design patterns
Paper-based interactions	Digital and self-service channels
Highly manual and complex processes	Automated high-volume, routine, and simple transactions
IR at the centre of the revenue system	Services delivered with and through others
Organised around functions	Organised around customer segments
Custom systems built in-house	Flexible, scalable, modular off-the-shelf systems
Separate tax and customer business processes	Tax as by-product of normal business processes

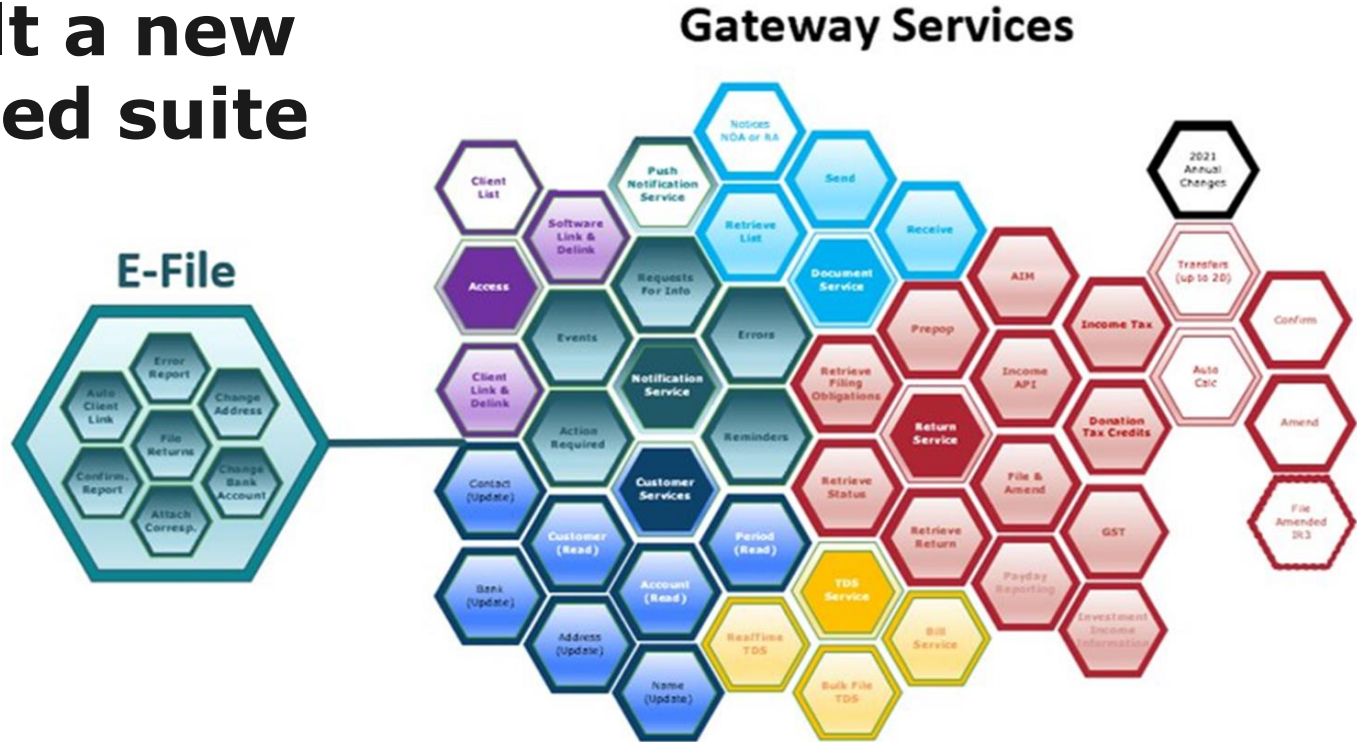
Use of digital channels increased by nearly 300% from 2017 to 2022

- Answered calls
- Correspondence - digital
- Correspondence - paper
- Front of house
- Gateway services
- IR website
- IR website - mobile
- myIR - mobile
- myIR - website
- Self-service phone calls



Channel	Change 2017 to 2022
Answered calls	-56%
Self-service calls	-26%
Front of house	-47%
Paper correspondence	-64%
Digital correspondence	+205%
IR website (including mobile)	+263%
myIR (including mobile)	+347%
Gateway services	+243%

We built a new expanded suite of APIs



Processing times are much faster resulting in a much better experience for customers

	Before transformation	After transformation
End of year refunds for individuals	<ul style="list-style-type: none"> Customers had to apply 1.4 million potentially eligible people did not apply for a refund (FY18) 	<ul style="list-style-type: none"> Approximately 3.2 million assessments automatically issued every year \$602 million automatically refunded as at 30/06/22 2.1 million assessments automatically issued in 8 days in May and June 2022
Closing a student loan account	> 40 days	Overnight



We're better able to ensure compliance

- Driven by more near real-time information and improved analytical capabilities
- Combined with a right from the start approach to change how we work

Our Transformation Journey – what we set out to achieve



We took an outside in approach

- Business Transformation Reference Group (2012+)
- Business to Govt Collaboration Workshop (April 2014)
- Tax in the 21st Century Conference (July 2014)
- Tax Simplification Panel (August 2014-2017)
- The Information and Communication Technology Reference Group (Sep 2014-2016)
- Making Tax Simpler green paper (March 2015) and Ministerial Working Group
- Engagement with Tax Agents cohort increased from 2017 as the programme got underway



A fundamentally different revenue system

- ✔ Easier to get things right and harder to get wrong
- ✔ Reduce compliance effort and costs for customers
- ✔ Businesses focus on running their businesses not tax
- ✔ More difficult to fall into debt, easier to manage payments
- ✔ Boost overall levels of compliance
- ✔ Support the use of digital technology

Easier, quicker, more cost-effective

- Easier for people to get right
- Continue to collect revenue
- Faster and more cost-effective policy changes
- Create an information asset to deliver improved outcomes

Improve agility

Minimise system risk

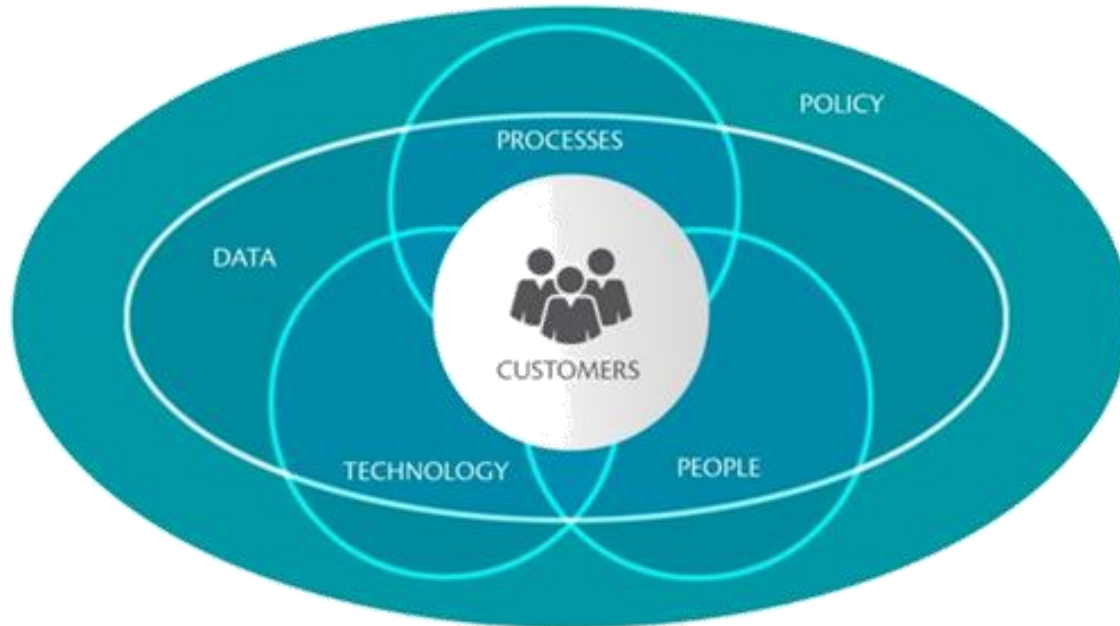
Improve customer
experience

More effective services

Increase secure sharing
of information

Improve productivity

Far more than an upgrade of technology



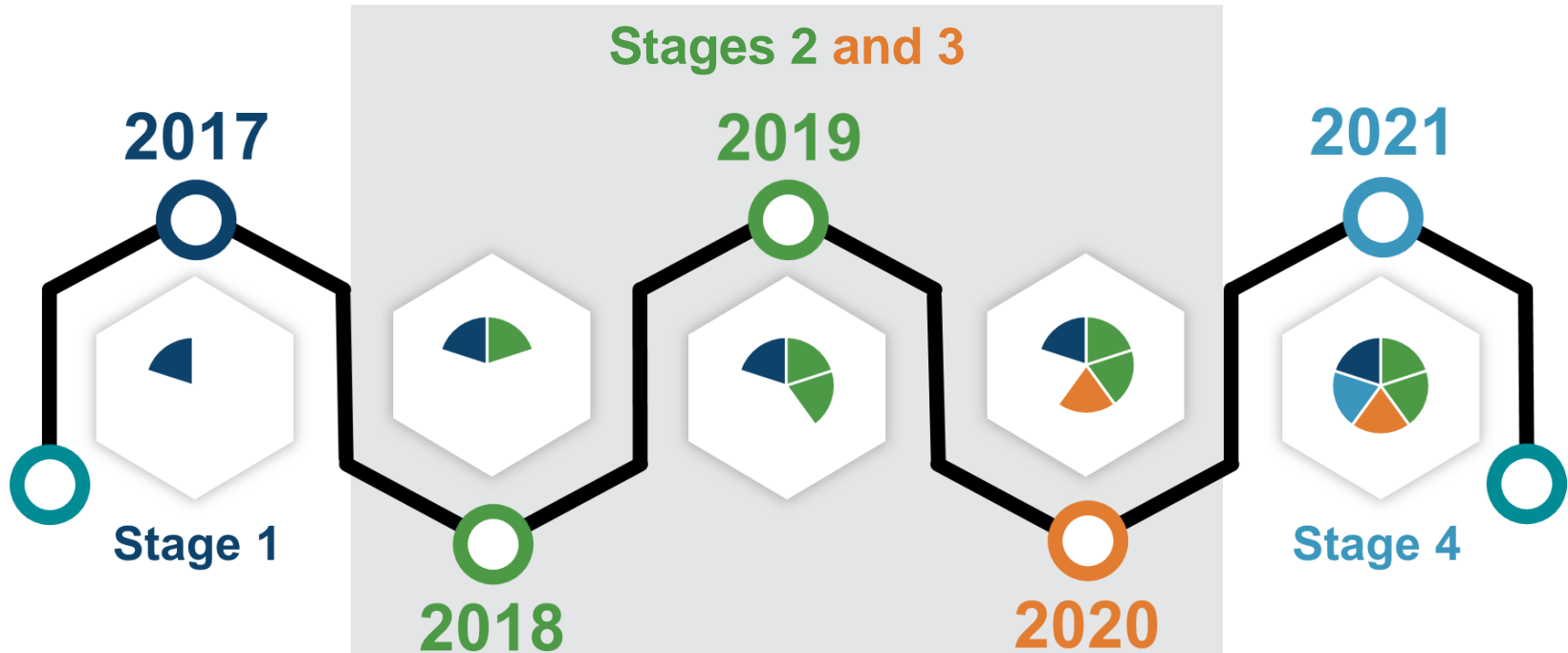


We had a clear vision and roadmap

- Business-led, technology-enabled transformation
- Due diligence
- Programme roadmap - what and when

Smart and efficient digital services
Greater sharing of information and intelligence
Radically better implementation of policy changes
Advanced risk assessment capability
Integrated delivery of services
Flexible, scalable and reliable technology

We adopted a multi-year, multi-stage approach





We knew we had to do things differently

Then

IR-centric

Stakeholder engagement

One size fits all

Waterfall only

Now

Customer-centric

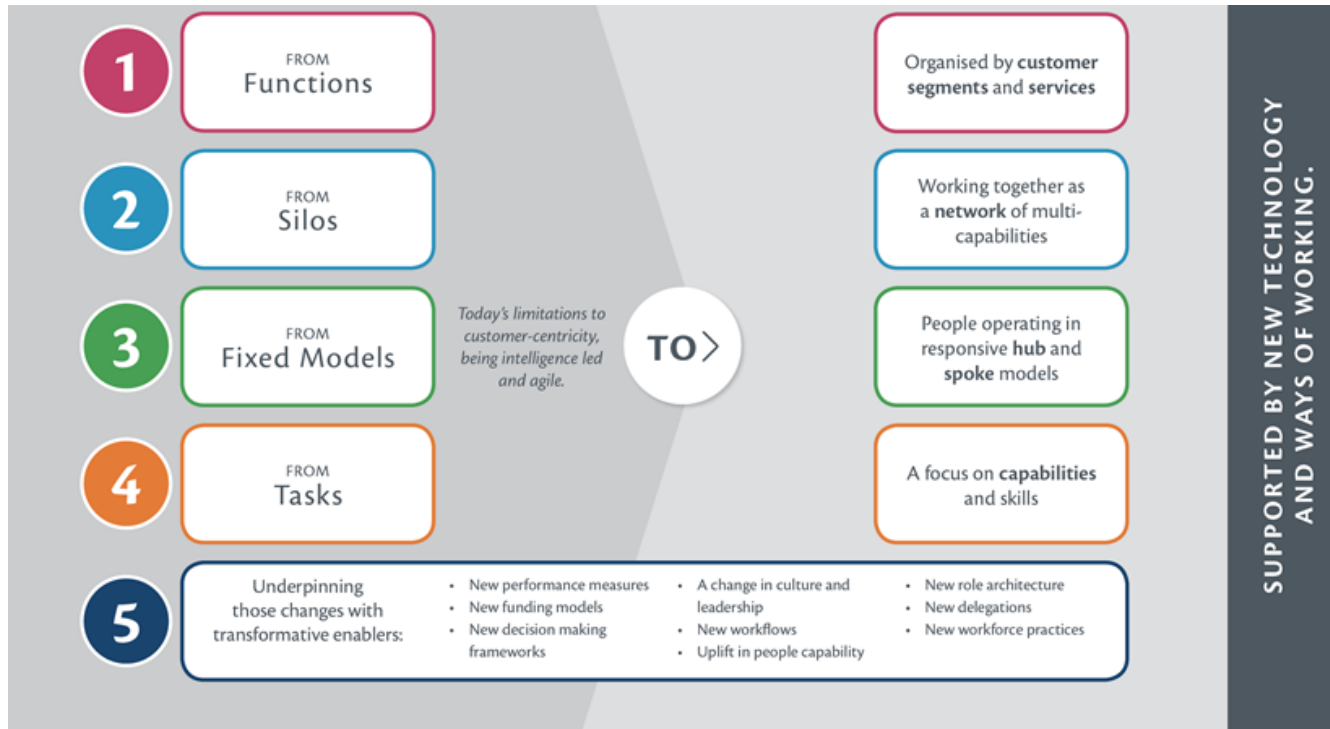
Working in partnership

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Tailored to different needs

Balance of agile and waterfall

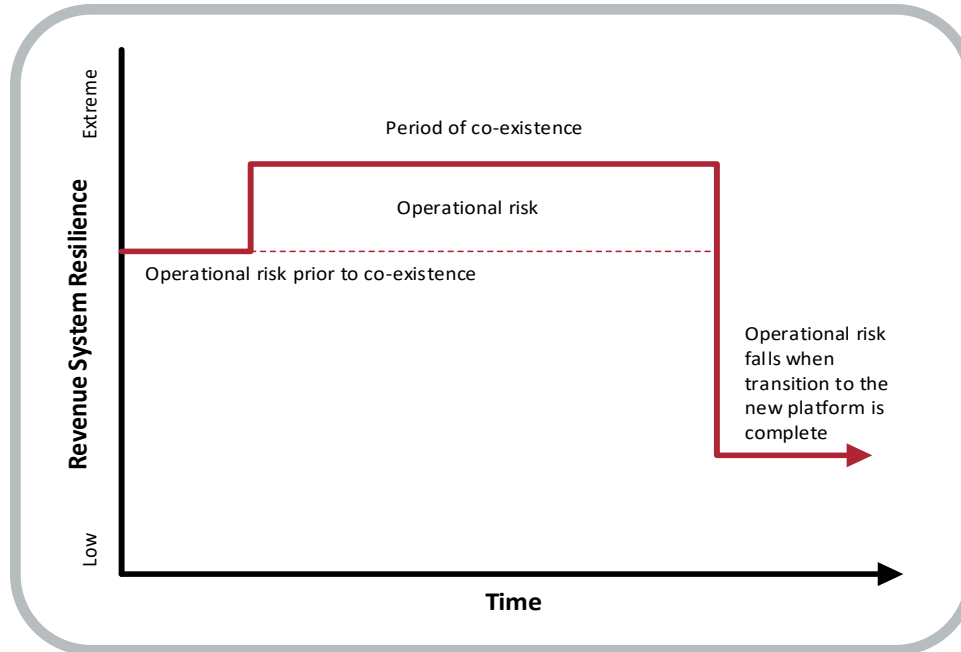
Transforming the organisation - The five big shifts



Transformation took a huge effort

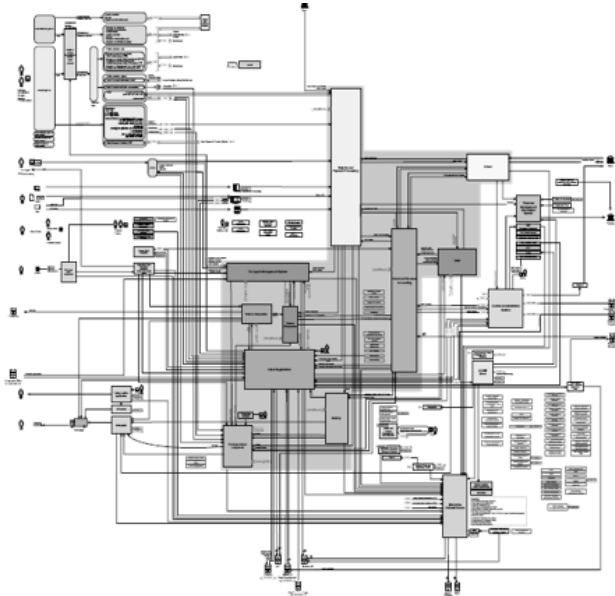
	Stage 1	Stages 2 and 3			Stage 4	
	Feb 2017	Release 2 April 2018	Release 3 April 2019	Release 4 April 2020	Release 1 March 2021	Release 2 Oct 2021
Customers contacted	630,000	368,000	2,000,000	1,091,000	14,300	1,000,000
Accounts migrated	880,000	1 million	19.7 million	7 million	7,000	570,000
Returns migrated	8.1 million	13 million	15 million	38 million	12,000	2.8 million assessments
Transactions migrated	23.6 million	2 million	142 million	172 million	1.4 million	129 million
Hours to cut-over	113 hours	93 hours	185 hours	168 hours	48 hours	140 hours
Total tests completed	15,462	46,304	94,204	76,293	1,554	35,801

It was high risk

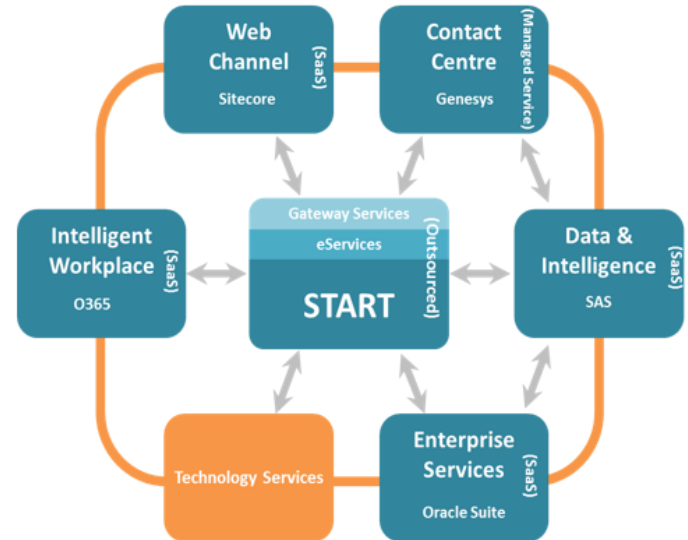


And highly complex

We went from this



... to this





What made transformation successful

Success factors ...1

- Put customers at the centre of your thinking
- Be clear about the outcomes you want to deliver
- Lead from the top
- Make it someone's only job
- Make sure you've got the right team
- Get the right partners



Success factors ...2

- Be transparent
- Communicate, communicate, communicate
- Be very disciplined
- Learn from mistakes
- Plan to deliver the benefits
- Don't underestimate change management
- **Expect to be successful – and be prepared to make big calls to get there**



What it means for New Zealanders

Most **individuals and families** only need to check and confirm their details

Then

Providing information

Estimating payments

Year-end payments

Out of date information

Now

Pre-populated

Automatic adjustments

Payments at the right time

Real time information

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Businesses are using their own systems and processes to meet their obligations

Then

Separate processes

Information at points in time

Manual and complex

Accept now, check later

Now

Part of business processes

Near real-time information

Systems talk to each other

Upfront validation

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We couldn't have supported the COVID response as well without transformation

Covid-19 initiatives

Use of money interest

In Work Tax Credit - removal of hours

Research & Development - broader refundable rules

Wage subsidy (led by MSD)

Insolvency corporate governance

Increased administration flexibility

Loss carry back

Small Business Cashflow Scheme

Paid parental leave – allow pause in entitlement

Resurgence support payment

From announcement to launch

Loss Carry Back 18 days

Small Business Cashback 10 days

Resurgence support payment 45 days



Inland Revenue
Te Tari Taake

Thank you