

CONSULTATION > OFFICIALS' ISSUES PAPER

Proposed legislative changes for intermediaries

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An officials' issues paper



Inland Revenue
Te Tari Taake

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<https://www.taxpolicy.ird.govt.nz/consultation/2026/tax-intermediaries>

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Making a submission

Inland Revenue invites submissions on the issues raised in this document, including the specific questions asked and any other issues relevant for officials to consider. A complete list of these questions can be found in the Appendix to this issues paper.

Include in your submission a brief summary of the major points and recommendations you have made. Please indicate if officials from Inland Revenue can contact you to discuss the points raised, if required.

The closing date for submissions is 12 June 2026.

Submissions can be made:

- by email to policy.webmaster@ird.govt.nz with "Proposed legislative changes for intermediaries" in the subject line, or
- by post to:
Proposed legislative changes for intermediaries
C/- Deputy Commissioner, Policy
Inland Revenue Department
PO Box 2198
Wellington 6140

Privacy of submissions

Submissions may be requested under the Official Information Act 1982. Please clearly indicate in your submission if you consider that any information should be withheld on the grounds of privacy, or for any other reason. Contact information such as an address, email, and phone number for submissions from individuals will be withheld. Whether any information is withheld will be determined using the Official Information Act 1982.

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Chapter 1 – Introduction

- 1.1 In New Zealand, tax intermediaries play an important role in helping people meet their tax obligations. Inland Revenue is aware of this crucial role and wants to introduce changes that would make it simpler for tax intermediaries, and therefore their clients, to navigate tax requirements, allowing them more time to devote to their businesses. This issues paper seeks views on some possible changes to the legislation governing intermediaries. The proposals largely acknowledge and reflect the changes in tax administration over time and aim to reduce the compliance burden on small businesses.

Background

- 1.2 In New Zealand, many taxpayers manage their own tax affairs. This is testament to New Zealand's relatively simple tax system and the proposals in this document are not designed to change this.
- 1.3 Some taxpayers, primarily businesses, use intermediaries to help with their tax. Tax intermediaries consist of many types of entities, including chartered accountants, tax advisers, accounting firms, bookkeepers, PAYE intermediaries and so on. The common feature of all of them is that they operate as a channel between Inland Revenue and their client.
- 1.4 In this paper we are referring to the intermediary types described in Part 7B of the Tax Administration Act 1994 (TAA). These are intermediaries that apply to the Commissioner of Inland Revenue to be listed or approved as providers of services to customers in relation to tax or social policy entitlements. They are therefore intermediaries that have chosen to operate in the tax system and whose customers choose to use them.
- 1.5 Within the tax system there are other entities, such as financial institutions and employers, that are required to undertake intermediation functions. This paper is not addressing those entities and the regulations applying to them when they are fulfilling these requirements.
- 1.6 Traditionally, the main intermediary (within Part 7B) has been the tax agent, a party that assists a taxpayer in determining tax liabilities and filing income tax returns. Other types of well-established intermediaries include payroll intermediaries and tax poolers.
- 1.7 More recently, as society and the economy have become more digital, the number of intermediaries operating digitally has grown. Many of these have developed services that address one business need, such as accountancy or cash-flow management, but because of the data generated they are also able to calculate tax liabilities.
- 1.8 This is a positive development. The OECD, for example, has described a future where taxpayers use intermediaries to operate their businesses digitally, enabling tax to be calculated and paid automatically. This creates efficiency and compliance benefits.
- 1.9 In 2022, Inland Revenue released the issues paper "Tax administration in a digital world". This argued that with increasing digitalisation there should be more involvement of intermediaries in tax administration.

- 1.10 This conclusion was supported by external stakeholders. For instance, in 2021, the BusinessNZ Tax Group published "Future of Tax Administration in New Zealand", which argued that tax administration could be improved with better technology and more partnerships with the private sector.
- 1.11 Similarly, one of the strategies underpinning Inland Revenue's business transformation was to expand the digital boundaries of the organisation by enabling intermediaries.
- 1.12 These considerations led to Inland Revenue establishing a project to investigate the regulatory framework for intermediaries (RFI). The regulatory framework refers to the rules of entry to the tax system, requirements for remaining in the system, and rules relating to exit.
- 1.13 The focus of the RFI project and this issues paper is whether there are legislative changes that will facilitate the participation of intermediaries in the tax system, while ensuring robust and efficient controls are maintained. A particular focus has been whether there are barriers preventing digital intermediaries from playing a greater role in the tax system.
- 1.14 In addition to the ideas generated by the RFI project, this issues paper also explores an idea relating to intermediaries assisting taxpayers who earn income that does not have tax deducted at source.
- 1.15 Taken together, these proposals seek to reduce compliance barriers in the tax ecosystem, while maintaining its integrity. Better alignment of legislation with emerging technology and updated business practices will support increased productivity.
- 1.16 If the ideas outlined in this paper become legislative proposals, we anticipate some of them could be included in the 2026–27 omnibus taxation Bill and more complex changes in a later taxation Bill, but such decisions have not yet been taken.

Summary of proposals

The table below sets out the main policy proposals included in this document.

Proposal name	Chapter
Establish a new digital services providers category within Part 7B.	Chapter 3
Establish a new data consumers category within Part 7B.	Chapter 4
Establish a new category of bookkeepers within Part 7B.	Chapter 5
Replace the 10-client rule applying to tax agents (and bookkeepers) with a requirement to be a member of an approved professional body.	Chapter 5
Add the requirement to not adversely affect the integrity of the tax system to the PAYE intermediaries and tax pooling categories within Part 7B.	Chapter 5
Widen the Commissioner's discretion to disallow someone from being a nominated person.	Chapter 5
Establish a tax crediting agent model that could be used by taxpayers who receive income from which tax is not withheld.	Chapter 6

Document outline

Chapter	Outline
2	Provides context for the proposals, such as problem definition and objectives.
3	Describes the proposal to establish a new digital services providers category within Part 7B of the TAA.
4	Describes the proposal to establish a new data consumers category within Part 7B.
5	Describes a series of proposals relating to existing categories within Part 7B, including: <ul style="list-style-type: none"> ▪ requirements applying to tax agents ▪ establishment of a new category within Part 7B for bookkeepers ▪ ensuring the requirement to not adversely affect the integrity of the tax system applies to all categories of intermediaries within Part 7B, and ▪ widening the Commissioner's discretion to disallow someone from being a nominated person.
6	Discusses a proposal to establish a tax crediting agent model that could be used by taxpayers who receive income from which tax is not withheld.
7	Discusses potential Treaty of Waitangi considerations of the proposals.

Chapter 2 – Context

Overview

2.1 This chapter sets out relevant factors such as the problem definition and how we think about intermediaries.

Problem definition

2.2 The regulatory environment for intermediaries is created by a combination of legislation, system design, and operational policies and practices. The interaction between these three elements means that we looked at the legislation in conjunction with the other factors.

2.3 This has identified the following issues with the legislation.

- Although digital services providers operate within the tax system, they are not described in the part of the Tax Administration Act 1994 (TAA) that categorises intermediaries. Internal Inland Revenue systems and processes have been developed in line with the existing legislation, which no longer reflects all business models and practices. Consequently, Inland Revenue's internal processes have not been as responsive to the needs of digital entities.
- The current categorisation of intermediaries in the TAA can be a barrier for intermediaries or force new entrants into inappropriate categories. For example, it has led some digital intermediaries to register or seek registration as tax agents because of the access to taxpayer data this enables, even though their business model differs from the traditional tax agent model.
- The standards within the legislation can hamper the efficient operation of the tax system or, in some instances, may be less effective for supporting the integrity of the tax system.

2.4 Not all problems are legislative. Sometimes external entities have requested access to Gateway services¹ and have been declined because the business model of the applicant is not compatible with the current configuration of Inland Revenue's computer system (START) or operational processes.

2.5 Consequently, in relation to the development of the digital ecosystem, internal analysis has concluded:

- Legislative change is desirable both to strengthen the regulatory framework for digital intermediaries and for the signals it would send internally and externally. The proposed changes aim to provide flexibility to accommodate evolving business models and to promote more efficient administration.
- Legislative change is, however, a small step and by itself not sufficient. Just changing the legislation will not be effective for developing the digital ecosystem. System and operational change, particularly for customer consents and digital identity, are essential.

¹ Gateway services are how software providers connect to Inland Revenue systems.

- 2.6 These conclusions are recognised at Inland Revenue and, in parallel, work is underway looking at the future digital ecosystem, and the system and operational impacts for tax administration.

Objectives

- 2.7 In this paper we suggest adjustments to the rules set out in the legislation applying to intermediaries.
- 2.8 Our thinking has been guided by the following objectives.
- **Improve the efficient administration of the tax and social policy system:** Enable more streamlined, accurate, and timely interactions between Inland Revenue, taxpayers, and third-party service providers.
 - **Enhance Inland Revenue's ability to interact with emerging third parties:** Recognise the growing role of digital services providers and other intermediaries that help taxpayers meet their obligations and access their entitlements.
 - **Create a flexible regulatory framework for intermediaries:** Design legislation that can accommodate new and evolving business models, reducing the need for frequent legislative change.
 - **Support the integrity of the tax and social policy system:** Ensure that intermediaries accessing Inland Revenue systems or data meet appropriate standards of conduct, capability, and accountability.
 - **Reduce compliance costs for taxpayers and intermediaries:** Align regulatory settings with how services are delivered in practice, particularly in digital environments.
 - **Enable more flexible and targeted regulatory responses:** Allow the Commissioner of Inland Revenue to tailor requirements through terms and conditions, while maintaining core legislative safeguards.
- 2.9 In preparing this document, we are aware of the tension between addressing current issues and anticipating the future. It is possible that artificial intelligence (AI) could have a profound impact on tax administration. But how that will play out is uncertain and we have chosen to focus on developments we are currently aware of. Future developments in AI will be monitored and will possibly lead to further regulatory change.

Objectives for intermediaries' regulation

- 2.10 In considering the regulation of intermediaries, we have been guided by the following considerations.
- 2.11 Intermediaries play a valuable role in the tax system. They improve tax compliance and lower compliance costs by:
- making compliance easier
 - explaining complexity within the tax system
 - helping taxpayers get their tax right or deal with the consequences of having made a mistake in the amount of tax they should pay, and

- providing convenient ways to manage tax payments.
- 2.12 For these reasons, the general stance towards intermediaries is supportive, and there should be minimal barriers to their participation in the tax system. Nonetheless, some regulation is necessary.
- 2.13 The proper functioning of the tax system includes:
- determining tax liabilities and entitlements according to the law
 - confidentiality of taxpayer information, and
 - collecting tax and distributing social assistance entitlements.
- 2.14 Inland Revenue provides intermediaries with access to confidential data and Inland Revenue systems, so poor performance or inappropriate actions by an intermediary can undermine the integrity of the tax system. Therefore, the overall goal of regulating intermediaries is to support the integrity of the tax system.
- 2.15 One way to manage the risks to the integrity of the tax system that intermediaries might pose is to apply the same statutory requirements on intermediaries as apply to Inland Revenue staff, that is to uphold the integrity of the tax system. This seems appropriate given that intermediaries are working in the same context as Inland Revenue staff.
- 2.16 Beyond that, risk management regulations will differ for different types of intermediaries, taking into account their specific characteristics. For instance, intermediaries that advise clients about their tax liabilities should have a good knowledge of tax law so that they do not give poor advice. Intermediaries that hold taxpayer money need to comply with money handling standards.
- 2.17 We also think that the legislation should contain the essential rules for ensuring the intermediary performs adequately. We consider that the ability for the Commissioner to easily adapt technical standards as and when required would help with this. Submissions are invited on this point.

Current legislation

- 2.18 The TAA sets out different types of entities that interact with Inland Revenue on behalf of their clients for tax or social policy reasons. Specifically, it governs, among other things:
- The different types of intermediaries (such as tax agents, nominated persons, representatives, payroll intermediaries and tax pools).
 - The criteria a person must meet to become an intermediary. There are some criteria that apply to most categories (such as the intermediary must not adversely affect the integrity of the tax system) and specific criteria based on the category of intermediary (such as a tax agent must have at least 10 clients for whom they file an income tax return).
 - The process the Commissioner must follow to appoint and remove intermediaries.

2.19 Notably, the TAA does not specifically have a category for “digital services providers”. Their participation is acknowledged in the TAA and Inland Revenue relies on administrative procedures for deciding whether entities can access Gateway services.

Overview of legislative proposals

2.20 The legislative proposals in this issues paper fall into two groups:

- Establishing new categories of intermediaries to reflect the participation of digital intermediaries in the tax system. Two new categories are proposed: digital services providers and data consumers.
- Adjusting the rules applying to existing categories of intermediaries. These proposals address issues in the current rules and suggest ways they could be minimised.

Chapter 3 – Digital services providers

- 3.1 We are considering establishing a new digital services providers (DSPs) category within Part 7B of the Tax Administration Act 1994 (TAA). This would be for digital intermediaries whose services support users to fulfil tax obligations and access social policy entitlements.²
- 3.2 We see a benefit of bringing DSPs into the same overall framework as other intermediaries, such as tax agents, even though their functions within the tax system may be different.
- 3.3 This acknowledges the importance of DSPs for the tax system and the need for the basic requirements relating to the integrity of the tax system to apply to them. It creates a more legally robust basis for taking action against an entity if this becomes necessary and clarifies the Commissioner of Inland Revenue's authority to regulate such intermediaries through terms of use entered into with a DSP.
- 3.4 It also signals that Inland Revenue recognises there are different types of participants that do not look like traditional intermediaries and that it wants to avoid incorrectly categorising them, such as with the tax agent category.

Details of proposal

- 3.5 There would be a registration process for DSPs. Although, formally, this process would be new, it would replace the existing administrative process Inland Revenue operates for approving access to Gateway services. Therefore, compliance costs for DSPs or administrative costs for Inland Revenue should not materially increase.
- 3.6 We anticipate there would be a balance between regulation specified in the legislation and regulation delegated to the Commissioner. We anticipate legislation would include:
 - a requirement that an intermediary will not adversely affect the integrity of the tax system
 - a test that admitting the intermediary would not cause net costs to the tax system
 - requirements on the intermediary if they provide advice on tax liabilities or handle taxpayer money, and
 - confirmation of the right of the Commissioner to enter into terms of use with the intermediary.

Not adversely affect integrity of tax system

- 3.7 There is no single standard that establishes whether an entity would adversely affect the integrity of the tax system. The following factors are those commonly considered by Inland

² When the representatives category was added to the TAA in 2018, there was an expectation that it might cater for DSPs, but in practice DSPs do not meet the requirements of section 124D, that is, they do not necessarily hold authorities to act or do not link to clients in the way representatives do.

Revenue when assessing an entity, while noting that it is unlikely for any one factor to be absolutely determinative:

- offending involving serious dishonesty
- performance issues, such as giving advice that is more likely to be incorrect than correct
- the company is in receivership.

3.8 For non-individual entities, requirements relating to offending or non-compliance will extend to vetting key office holders.

Admitting DSP would not cause net costs to tax system

3.9 This provision would guard against Inland Revenue having an obligation to admit a participant whose business model would impose undue administrative costs on Inland Revenue such as major changes to its START system or its operating model. Any such costs would need to be compared with any commensurate benefits, such as lower compliance costs for taxpayers or better tax revenue collection for the Government.

3.10 Allowing Inland Revenue to take account of its administrative costs could be seen as creating a risk to the development of the digital ecosystem if it meant innovative DSPs were not admitted to the tax system. A requirement that Inland Revenue must consider costs and benefits to the tax system, that is, wider than costs and benefits to Inland Revenue, is considered a feasible way to manage this risk.

Further requirements on selected intermediaries

3.11 Inland Revenue does not have a fixed view on the operating model of the intermediaries in this category. Noting the variety among current DSPs, we anticipate that some DSPs, but not all, will provide tax advice to their clients and file returns on their behalf. Similarly, some may handle client money and make payments to Inland Revenue on their client's behalf.

3.12 We think the best way to provide for this diversity is to have provisions in the legislation that apply to the DSP if they play a particular role. These provisions would be aligned with those applying to other intermediaries undertaking the same function. The terms of use entered into between Inland Revenue and the DSP would specify which provisions would apply, based on the proposed business model of the DSP.

Terms of use

3.13 We anticipate detailed regulations, for example confidentiality of client information, data security standards, data transmission standards, and privacy requirements, would sit within the terms of use. For efficiency, the terms of use would be largely standardised, but with scope to tailor these to a category of DSPs, to enable an approach based on those entities' business model and the risks that may arise.

3.14 Delegating technical standards to the Commissioner allows for more flexible and targeted responses that can evolve with technology and risk.

Existing DSPs

3.15 There are already DSPs operating in the tax system. They have gone through an application process for access to Gateway services that largely mirrors the requirements that are proposed for the legislation. For that reason, we consider it is both feasible and expedient for existing DSPs that continue to meet the requirements to be included in this category rather than requiring them to apply.

Other issues we considered

3.16 There are signs of convergence between different types of intermediaries. Some traditional intermediary types, such as tax agents, operate digitally, while some DSPs also operate as tax agents. We have considered whether this should mean aggregating the categories of intermediaries, for example, creating a category encompassing all intermediaries that supply data to Inland Revenue.

3.17 This has attractive features, such as lessening distinctions between digital and non-digital intermediaries, and might be the future state, but we feel that maintaining distinctions between intermediary types better reflects current roles and perceptions.

3.18 While convergence between intermediary types may increase over time, maintaining distinct categories for now allows the framework to evolve flexibly as market practices change.

3.19 A further issue we have considered is whether the category, as anticipated, is too broad. There is an argument that different categories are required to distinguish between DSPs that provide tax calculation or other value-added services compared with other DSPs that provide software but have no responsibility for the data entered in or resulting from the software. Another way of framing this is the distinction between DSPs that represent their client to the Commissioner compared with those that provide tools for other parties, including the taxpayer, to use.

3.20 We agree there is a difference between these types of DSPs, but we also feel the boundary between them is already blurred and could become more so over time. This means we favour one, more comprehensive category. The differences between these DSPs, from the perspective of regulatory requirements, can be accommodated either by the application of provisions we anticipate being in the legislation or through the terms of use entered into with that DSP.

Crediting and withholding agents

3.21 One potential extension of the DSP framework is to allow approved DSPs to act as crediting or withholding agents on behalf of their clients. These intermediaries could either:

- withhold tax and other obligations directly from client income and pay Inland Revenue (a “withholding” model), or

- calculate anticipated liabilities and issue structured payment instructions to clients, who then pay Inland Revenue themselves (a “crediting agent” model).
- 3.22 These models could reduce compliance costs and improve tax outcomes for taxpayers who are not currently subject to withholding regimes, such as landlords and some sole traders. They would also support more frequent and accurate in-year payments.
- 3.23 A detailed exploration of these models, including design options, risks, and consultation questions, is included in Chapter 6.

Questions for submitters

- Q1. Do you agree with creating a new category in Part 7B of the TAA for DSPs?
- Q2. Should there be separate categories for those DSPs that solely provide software and those that provide advice in relation to tax liabilities?
- Q3. Do you agree with the proposed requirements for entry into and remaining in the category?
- Q4. What is the right way to achieve an appropriate balance between costs to Inland Revenue and benefits to the wider tax system?
- Q5. What balance should there be between regulations in the legislation and those delegated to the Commissioner in the terms of use?
- Q6. Should existing DSPs (with access to Gateway services) be required to apply to be in this category or should they be automatically included?

Chapter 4 – Data consumers

- 4.1 We are also considering a new data consumers category within Part 7B of the Tax Administration Act 1994 (TAA). This would be for digital services providers (DSPs) that (with appropriate customer consent) access data from Inland Revenue. They may not necessarily supply data to Inland Revenue.
- 4.2 There are different circumstances when such a category of intermediaries could be useful.
- 4.3 Currently, the TAA³ anticipates DSPs that, on behalf of a taxpayer, receive information from Inland Revenue and provide information to Inland Revenue. The data consumer category anticipates a DSP that only wants to access information from Inland Revenue. Examples could be an intermediary accessing data from Inland Revenue to assist a taxpayer to determine their income tax liabilities or confirming that a customer is GST registered.
- 4.4 Another circumstance could be when an approved intermediary is able to look at a specified taxpayer's details but only to help the taxpayer interpret the tax data. The intermediary does not send any information to Inland Revenue. In other words, the intermediary is assisting their client to engage digitally with Inland Revenue.
- 4.5 A third circumstance would be if Inland Revenue chose, subject to taxpayer consent, to share taxpayer data more broadly. This could be in a consumer data right type of arrangement.⁴ This would involve an external party accessing data held by Inland Revenue subject to customer consent and certain privacy protections. Access would not be tied to a tax or social policy purpose.
- 4.6 An example of this third circumstance could be a financial institution that wants to validate the income of a prospective customer during a loan application process. Digitally accessing Inland Revenue's data about that customer's income, with the customer's consent, would be more efficient and secure than the alternative of the customer contacting Inland Revenue and passing this information on to the financial institution.
- 4.7 Another example could be a council that needs to validate a ratepayer's income to determine if the ratepayer is eligible for a rates discount.
- 4.8 Government departments, including Inland Revenue, are not currently subject to the Consumer Data Right scheme. However, Inland Revenue may pursue a data sharing arrangement with intermediaries, with taxpayer consent.
- 4.9 Implementing a scheme of this nature would require several decisions. These include the data that could be accessed, how it would be accessed, how data consumers would be accredited,

³ Schedule 7, clause 18.

⁴ The Government has established a consumer data right through the Customer and Product Data Act 2025. The Act establishes an economy-wide framework to enable greater access to, and sharing of, customer and product data between businesses.

how one-off consents would be processed, and whether further legislative amendments would be required to enable Inland Revenue to share data it held in this way.

- 4.10 Such decisions would only be made if the Government wanted Inland Revenue to implement a consumer data right type of arrangement. However, this is not currently on the Government's workplans. If that were to change, the data consumers category could be useful.
- 4.11 The standard applying for entry to and remaining in the data consumers category would be similar to that applying to DSPs. Data consumers would:
- be required to not adversely affect the integrity of the tax system, and
 - meet accreditation standards set by the Commissioner of Inland Revenue.
- 4.12 The accreditation standards would ensure the data consumer had appropriate policies and systems in place with respect to client consents, data security and data privacy.
- 4.13 Accreditation standards for data consumers could be set by the Commissioner, allowing Inland Revenue to tailor requirements to different risk profiles.

Questions for submitters

Q7. Do you agree with creating a new category in Part 7B of the TAA for data consumers?

Q8. What factors would be important for Inland Revenue to consider when accrediting a data consumer?

Q9. Do you have any views about Inland Revenue making taxpayer data available to third parties if the taxpayer has consented to this access? In other words, do you have views about Inland Revenue entering into a consumer data right type arrangement with respect to a selection of data it holds?

Chapter 5 – Adjustments to existing categories in Part 7B

- 5.1 We consider there are other potential changes that are less specific to the digital ecosystem but could improve the settings for current intermediaries.

Issues with 10-client rule and representatives category

- 5.2 The requirements in the Tax Administration Act 1994 (TAA) for being a tax agent (section 124C) or a representative (section 124D) includes “having at least 10 clients”. For tax agents, this is defined as preparing the returns of income required to be filed, and for representatives, having signed authorities.
- 5.3 The 10-client rule sits alongside requirements to be in business or carrying on a professional public practice. In combination, they are signs of the person making a serious commitment to their tax advisory operation, which justifies the services and privileges that Inland Revenue provides to these entities.
- 5.4 For some time, Inland Revenue has had concerns about the effectiveness of the 10-client rule. On its own, having 10 clients is a weak indicator of the quality of advice or service that the person provides. There are also concerns that the intent of the rule can be circumvented by the person meeting the technical requirement by providing services to family members.
- 5.5 As well as concerns about who the rule may admit, there are concerns about who the rule may exclude.
- 5.6 When the representatives category was added to Part 7B of the TAA in 2019,⁵ it was anticipated that it would cater for a range of third parties that wanted to interact with the tax system on behalf of their clients in respect of their tax and/or social policy entitlements and obligations. This targeted bookkeepers but also catered for budget advisors and tax lawyers. A common business model for bookkeepers is to handle GST and EMP (employment activities) returns rather than file income returns, and this is provided for within the requirements of the representatives category.
- 5.7 However, another feature of the business model for some bookkeepers is that they work intensively with a few clients rather than having a broad client base. These bookkeepers do not have 10 clients, and they are excluded from the representative category, meaning they do not have full access to Inland Revenue systems.
- 5.8 The following proposals have been developed to address this combination of issues.

⁵ Taxation (Annual Rates for 2018–19, Modernising Tax Administration, and Remedial Matters) Act 2019.

New bookkeepers category

- 5.9 Although there is some overlap, we consider the role of the bookkeeper is sufficiently distinct from tax agents or representatives to warrant a separate category for bookkeepers within Part 7B. This would be consistent with how Inland Revenue systems have been set up.
- 5.10 The criteria for entering and remaining in the category would be similar to those currently applying to tax agents and representatives. There would be the requirement to not adversely affect the integrity of the tax system. There would be information requirements for a person who is not a natural person. (See the next section for further requirements.)
- 5.11 As with the representatives category currently, there would be no requirement to file income returns. Instead, there would be requirements relating to being in business, carrying on a professional public practice, or dealing in matters relating to tax and social policy assistance.
- 5.12 Bookkeepers would receive the operational levels of service currently provided to representatives rather than be eligible for the privileges currently reserved for tax agents, such as their clients being eligible for extension of time.

Approved professional body membership

- 5.13 In addition to creating the new category of bookkeepers, Inland Revenue is interested in exploring an alternative to the 10-client rule.
- 5.14 The goal is to have a more effective screen for quality while not excluding persons who provide good services to their clients and who do not impose an undue cost on Inland Revenue.
- 5.15 Many tax advisers and bookkeepers are members of a professional body. The Commissioner of Inland Revenue has recognised some professional bodies as approved advisor groups on the grounds that their members must:
- have a significant function of giving advice on the operation and effect of tax laws
 - be subject to a professional code of conduct in giving the advice, and
 - be subject to a disciplinary process that enforces compliance with the code of conduct.
- 5.16 The organisations that have approved advisor group status are:
- Accountants and Tax Agents Institute of New Zealand
 - CPA Australia
 - Chartered Accountants Australia and New Zealand
 - Institute of Certified NZ Bookkeepers
 - New Zealand Qualified Bookkeepers Association.
- 5.17 Inland Revenue does not hold good data on which tax agents are members of approved advisor groups. Therefore, we do not have evidence that there is a difference in standard between members and non-members of such bodies.

- 5.18 However, we consider that there are benefits from membership of an approved advisor group in terms of both the integrity of the tax system and the protection of clients. Furthermore, we suspect that the educational standards and requirements to be a member are closer to taxpayers' expectations of their professional advisor. The disciplinary processes for poor performance also assist with maintaining good standards.
- 5.19 For these reasons, we are interested in whether membership of an approved advisor group would be a better requirement for becoming and remaining a tax agent or bookkeeper than the 10-client requirement. This is because a membership would more directly address the question of quality and also signal the advisor's commitment to their professional development.
- 5.20 In terms of what is meant by being a member of an approved advisor group for the purposes of registering as a tax agent or bookkeeper, we are considering the following requirements:
- If a person is registering under their own personal IRD number, that individual will need to be a member of an approved professional body.
 - If the registration is under an entity, a certain number of key office holders must be a member of an approved professional body. We are interested in views on what number of key office holders the membership requirement should apply to.
- 5.21 Making approved advisor body membership mandatory would, however, raise two issues.
- 5.22 A significant proportion of tax agents and bookkeepers are not members of an approved advisor group. We are interested in views as to what would be a reasonable transition period if such a requirement were introduced. When the United Kingdom Government explored this issue, it estimated a transitional period of at least three years would be needed.⁶ A further possibility would be introducing a "grandparenting" rule so that **existing** tax agents or bookkeepers would not be affected and mandatory professional body membership would only apply to new entrants to the tax agents and bookkeepers category. We are interested in stakeholders' views on the introduction of a grandparenting rule.
- 5.23 We also note that making approved body membership mandatory increases the importance of membership information for Inland Revenue systems. Implementing this requirement likely requires discussion with professional bodies about how membership information can be efficiently shared with Inland Revenue.
- 5.24 Finally, we are interested in views on whether there is some other requirement that would better address standards among tax agents and bookkeepers.

Representatives

- 5.25 If a bookkeepers category was introduced, we would anticipate the representatives category would continue to be used by other groups including those offering budget management

⁶ HMRC *Raising standards in the tax advice market – strengthening the regulatory framework and improving registration* 2024.

services and tax lawyers. Potentially, it could also be used by intermediaries wanting to assist clients with their access to social policy entitlements.

- 5.26 The ideas described above would not necessarily suggest changes to the rules relating to the representatives category. There are no approved advisor bodies that would naturally accommodate representatives and this leads us to maintain the 10-client rule for representatives.
- 5.27 It has been suggested, however, that the 10-client requirement for representatives is a limitation and should be adjusted. We are interested in views on this.

Should there be more extensive standards for tax agents?

- 5.28 Beyond the adjustments described above, we are not proposing any extension to the standards that already exist. We are sometimes asked whether New Zealand should adopt more comprehensive standards.
- 5.29 That question is motivated, in part, by comparisons with other jurisdictions.
- 5.30 Australia requires tax practitioners, which include tax agents and business activity statement (BAS) agents, to register with the Tax Practitioners Board. The Board ensures tax practitioners have the necessary competence and personal attributes, and that they comply with relevant legislation and regulations. It also investigates tax practitioners' conduct and imposes sanctions for non-compliance. This is a more extensive set of controls than those that exist in New Zealand.
- 5.31 In the United Kingdom, the HMRC has announced policy that will require tax advisers who interact with HMRC on behalf of clients to register with HMRC and meet minimum standards (the Standard). The requirement to register with HMRC matches what already exists in New Zealand for tax agents and what is being proposed for digital services providers (DSPs). The Standard imposes similar obligations to what New Zealand expects by "not adversely affecting the integrity of the tax system" but is framed in a way that emphasises a positive expectation of agent behaviour.
- 5.32 On balance, we are not proposing further changes for two reasons:
- We do not think there are any serious shortcomings in the performance of tax agents in New Zealand that would warrant more extensive regulatory changes than what is being proposed in this document.
 - The requirements associated with professional body membership largely address the type of requirements seen in other jurisdictions so it would potentially be a double up to require professional body membership and impose further requirements.

Intermediaries that are PAYE intermediaries or operate tax pooling accounts

- 5.33 Among the categories of intermediaries listed in Part 7B of the TAA, the majority are required to not adversely affect the integrity of the tax system.
- 5.34 However, this does not apply to PAYE intermediaries or to intermediaries that operate tax pooling accounts, noting that in both cases there are requirements that parallel the expectations associated with not adversely affecting the integrity of the tax system.
- 5.35 We consider the absence of this requirement for these categories weakens the overall regulatory framework and are therefore interested in views on adding that requirement to those categories.

Nominated persons

- 5.36 The nominated persons category is designed for taxpayers who have difficulty managing their own affairs, perhaps because of reduced capacity. They can nominate a person to interact with Inland Revenue on their behalf.
- 5.37 However, it is also used in other circumstances such as when an intermediary is operating a tax or social policy advisory business. The Commissioner has discretion to disallow a person's status as a nominated person, but this is limited to when the person is acting in a fee-earning capacity.⁷
- 5.38 There is sometimes an integrity risk when a nominated person is also operating a business, but this is not the only circumstance that has been identified as an integrity risk.
- 5.39 We are therefore interested in widening the Commissioner's discretion to disallow someone from being a nominated person to any circumstance that puts the integrity of the tax system at risk. We are interested in views on this option.

⁷ This provision does not enable the Commissioner to disallow a person who is a nominated person for certain family members. In the discussion that follows, no change is proposed for this aspect of the legislation.

Questions for submitters

- Q10. Do you agree with creating a new category in Part 7B of the TAA for bookkeepers?
- Q11. Would replacing the 10-client rule as it applies to tax agents (and bookkeepers if that category were created) with mandatory membership of an approved professional body be an improvement over the status quo?
- Q12. For an entity, how should the number of members of an approved body be defined?
- Q13. If such a change were made, would a three-year transition be adequate?
- Q14. Would it be better to apply the new requirement only to new entrants to the tax agents and bookkeepers category?
- Q15. Are there alternatives or other changes that should be made to the tax agents or representatives (or bookkeepers) category to strengthen confidence in the quality of services provided by members of these groups?
- Q16. Should the requirement to not adversely affect the integrity of the tax system apply to PAYE intermediaries and tax poolers?
- Q17. Would you support the Commissioner's discretion to disallow a person being a nominated person being widened to cover any circumstance when the integrity of the tax system is at risk?

Chapter 6 – Digital services providers as tax crediting agents

Overview

- 6.1 This chapter examines whether digital services providers (DSPs) could play a formal role in supporting in-year income tax payments for taxpayers who do not have tax withheld at source.

Context

- 6.2 A significant proportion of taxpayers, including sole traders, landlords, and small businesses, derive income that is not subject to withholding tax at source. These taxpayers are required to estimate their annual income tax liability and make provisional tax payments. Some taxpayers consider this process to be complex and therefore outsource this to third parties such as tax agents or DSPs.
- 6.3 While existing withholding tax regimes such as PAYE and resident withholding tax (RWT) have proven effective in reducing compliance costs and improving tax outcomes for employees and investors, there is no equivalent mechanism for other taxpayer groups.
- 6.4 Recent developments in the market have seen DSPs offering services, often using transaction data, that assist their clients to manage their tax obligations. However, payments made under these arrangements are not recognised as tax credits by Inland Revenue. This may mean taxpayers have ongoing provisional tax obligations or it could result in the unexpected imposition of UOMI when the correct amount of tax has been paid. This situation presents an opportunity to consider whether DSPs could play a formal role in supporting in-year income tax payments, and whether a new framework for recognising tax credits could provide a practical alternative to provisional tax for taxpayers who do not have tax withheld at source.
- 6.5 Student loan borrowers who earn income not subject to withholding taxes may also have interim payment obligations. The tax crediting agent model discussed in this chapter could work well for these taxpayers, and we welcome feedback on its potential application to student loans.

Objectives

- 6.6 The objectives of the proposal are to:
- reduce compliance costs for taxpayers by streamlining tax payments and providing an alternative to provisional tax
 - improve compliance outcomes by leveraging the capabilities of DSPs that may have greater visibility into their clients' business operations and financial positions than Inland Revenue

- maximise operational efficiency for DSPs and Inland Revenue by formalising and optimising existing practices, and
- maintain the integrity of the tax system by ensuring that any new framework is robust, transparent, and subject to appropriate safeguards.

Tax crediting agents

- 6.7 Under the tax crediting agent model, approved DSPs would calculate their client's anticipated tax liability and provide them with structured payment instructions, specifying amounts, timing, and references. The client would then make payments to Inland Revenue. If payments were made in a timely and verifiable manner, and accompanied by appropriate reporting, these could be recognised as tax credits. The DSP would not control client funds or be liable for payment themselves, but would facilitate the process through calculation, instruction, and reporting.
- 6.8 While DSPs may help taxpayers by calculating anticipated tax liabilities and providing payment instructions, the legal responsibility for accurately assessing and paying tax would remain with the taxpayer, consistent with the self-assessment system. Calculations by DSPs are intended to support compliance, but do not replace the taxpayer's obligation to ensure their tax assessment is correct and complete.
- 6.9 We consider a model like this may offer benefits similar to those of traditional withholding tax regimes, such as improved compliance outcomes and reduced compliance costs, while also allowing greater flexibility. The framework would focus on income tax, but we are open to views on whether it could be extended to other obligations such as student loans and GST.

Approval process

- 6.10 The approval of DSPs to act as tax crediting agents would be a critical component of any new framework. While there may be pressure to adopt a relatively relaxed approach, Inland Revenue would need to be sufficiently confident that the calculation basis used by DSPs is robust and will not create unexpected shortfalls for taxpayers or gaming of the tax system.
- 6.11 We consider that approval should require DSPs to demonstrate proficiency in calculating anticipated liabilities. This could be supported by test cases or other evidence. Ongoing compliance with reporting and calculation standards would also be expected.
- 6.12 We invite feedback on what the approval process should involve, including the criteria for initial approval and ongoing oversight.
- 6.13 We are also open to feedback on what ongoing monitoring mechanisms would be appropriate to ensure compliance and system integrity.

Conditional recognition of tax credits

- 6.14 We are interested in views on how the rules for recognising tax credits should be designed. The broad policy intent is that tax payments should align with when the income is earned by

the taxpayer. If payments are not made in this way, the tax crediting agent model offers little advantage over the existing provisional tax regime. Clear rules will be necessary to ensure consistency and certainty for taxpayers and DSPs. We are open to feedback on what timing rules would best balance administrative efficiency and fairness.

- 6.15 When a payment is not regarded as a tax credit (for example, because it is not paid with sufficient proximity to when the income is earned), the payment will remain on the taxpayer's account and will ultimately act as a pre-payment. However, it will not reduce residual income tax and may therefore affect provisional tax calculations. This distinction is important for taxpayers who wish to avoid the compliance burden associated with provisional tax.
- 6.16 We also recognise the need to address the issue of in-year refunds. There are two broad approaches that could be considered:
- For simplicity, the rules could provide that there are no in-year refunds of tax credits, consistent with the approach taken for PAYE and typically for RWT. In this case, any overpayment would be refunded at the end of the year as part of the income tax assessment process.
 - Alternatively, refunds could be provided during the year if the taxpayer can demonstrate to the Commissioner that a refund is justifiable in the circumstances. While this approach may offer greater flexibility, it would increase administrative complexity and require clear criteria for approval.
- 6.17 There are trade-offs between simplicity and flexibility, and we invite feedback on which approach would best balance administrative efficiency with fairness to taxpayers.
- 6.18 On the risk of mismatches between in-year payments and end-of-year tax returns, we invite feedback on possible mitigation strategies, such as reconciliation processes, safe harbours, or adjustment mechanisms, to ensure taxpayers are not disadvantaged and the integrity of the system is maintained.

Reporting requirements

- 6.19 Approved DSPs should be required to report certain information to Inland Revenue for the relevant period. This could include the taxpayer's income for the period, and payment information sufficient to enable the allocation of tax credits to the correct taxpayer.
- 6.20 Inland Revenue would use this information to create a corresponding payment expectation in its computer system.
- 6.21 While longer-term objectives may include using reported information for social policy entitlement estimation or pre-filling of income tax assessments, these developments may take some time to implement.
- 6.22 We welcome feedback on what information DSPs should be required to report, and how Inland Revenue should use this information.

- 6.23 We are also open to feedback on reporting frequency, which could be monthly, quarterly, or real-time, and invite submitters to comment on what would work best for taxpayers, DSPs, and Inland Revenue.

Examples

- 6.24 The following examples are intended to illustrate how the tax crediting agent model might operate in practice. We welcome feedback on whether these examples reflect current market practice and whether alternative arrangements should be considered.

Example 1: Sole trader with payments authorised by DSP

A sole trader uses a DSP to manage business finances and tax obligations. The DSP calculates projected income tax liabilities and provides monthly payment instructions to the sole trader.

The sole trader makes payments to Inland Revenue, and the DSP reports the payment details. Payments made regularly and supported by accurate reporting are treated as tax credits, mitigating the sole trader's exposure to provisional tax when calculated accurately enough.

Example 2: Contractor using payment instructions

A self-employed contractor receives monthly payment instructions from a DSP detailing how much to pay Inland Revenue for income tax. The contractor makes the payments directly, and the DSP reports the details to Inland Revenue.

At year-end, the contractor's tax assessment reflects the payments as tax credits (similar to PAYE and RWT) and provisional tax is avoided.

Example 3: Sole trader with irregular income

A sole trader earns income in large, irregular amounts. The DSP calculates projected annual income after each payment and instructs top-up payments as needed to reflect the correct tax rate. Payments are reported and treated as tax credits, with adjustments made throughout the year to ensure accuracy.

- 6.25 We note that the model could also be adapted to allow DSPs to make payments on behalf of clients, or to operate through trust accounts, subject to appropriate safeguards.
- 6.26 We consider that the tax crediting agent model has benefits when the DSP issues payment instructions to their client because the provider does not handle client funds. However, if a model involves the DSP handling client funds and withholding amounts on their behalf, we are interested in feedback on what consumer protections should exist, such as the required use of trust accounts to reduce the risk of non-payment or misappropriation.

Risks and integrity issues

- 6.27 We recognise that the tax crediting agent model could be vulnerable to manipulation if not carefully designed. For example, a taxpayer might earn income throughout the year and only engage a DSP in the final month to generate a large tax credit for all income earned, undermining the provisional tax system and creating fiscal risks.
- 6.28 To address these risks, we consider that DSPs approved to perform a tax crediting role should be required to:
- calculate and facilitate payments within a reasonable proximity to when income is earned
 - base calculations on anticipated annual liability, not just short-term earnings
 - report income and payment information consistently throughout the year, and
 - ensure credits only arise when the taxpayer no longer holds the funds and payment is made under a recognised and verifiable arrangement.
- 6.29 Eligibility for DSP approval should be subject to clear criteria, robust reporting standards, and safeguards that prevent retrospective crediting or gaming of the system.
- 6.30 We note that traditional tax agents could become approved DSPs under this model, and vice versa. The framework is intended to be flexible and inclusive of both types of service providers.

Questions for submitters

- Q18. Does the tax crediting agent model described in this chapter reflect how DSPs currently operate in practice?
- Q19. Are there other models or arrangements that we should be aware of?
- Q20. Is the tax crediting agent model worth exploring further?
- Q21. What are the key risks or limitations of the tax crediting agent model, and how could they be managed?
- Q22. What safeguards would be needed to ensure that tax credits only arise when appropriate?
- Q23. What information should DSPs be required to provide Inland Revenue to support credit recognition?
- Q24. What reporting frequency would be appropriate?
- Q25. Should we consider extending the model to other obligations, such as student loans and/or GST?
- Q26. What should the Commissioner consider when approving a DSP to act as a tax crediting agent?
- Q27. What ongoing conditions or review mechanisms should apply to approved DSPs?
- Q28. Is the potential for mismatches between in-year payments and end-of-year tax returns a significant issue, and how might it be addressed?
- Q29. Do you see any distortions or risks for other business models outside of DSPs?

Chapter 7 – Treaty of Waitangi considerations

Overview

- 7.1 The Government's Treaty of Waitangi and Tiriti o Waitangi (Treaty) responsibilities relating to matters raised in this document require consideration and protection of Treaty interests. This chapter discusses the legislative proposals that we anticipate Māori will have a particular interest in and what will likely be the impacts on those interests.
- 7.2 We acknowledge that legislation is only one component of a broader framework. The regulatory framework for intermediaries is created by a combination of legislation, system design, and operational policies and practices. While we consider that the outcomes of reform would depend on the intersection with other elements of the framework, the focus of our analysis is on the proposed legislative change.
- 7.3 In carrying out our analysis, we have not had access to comprehensive data on Māori intermediaries, Māori customers, and other Māori entities, and cannot accurately state how many of them may be affected by matters raised in this document. In the absence of comprehensive data, information in this chapter has been informed by limited research.

Relevant Treaty interests

- 7.4 We acknowledge there are a variety of Treaty interests in the tax system generally. We consider the interest particularly relevant to the matters raised in this document are Māori intermediaries, that is, Māori entities who may act, or wish to act, as providers of services to customers in relation to tax and social policy entitlements.
- 7.5 This interest may be characterised further at three levels:
- Māori entities who may be providers of services supporting customers (Māori or non-Māori) in relation to their tax or social policy entitlements.
 - Māori entities who may be DSPs supporting customers (Māori or non-Māori) in relation to their tax or social policy entitlements, through a digital platform. This includes DSPs who could play a formal role as tax crediting agents.
 - Māori entities who may be DSPs providing digital platforms to entities (Māori or non-Māori) supporting customers in relation to their tax or social policy entitlements. Customers may be Māori or non-Māori.
- 7.6 We also acknowledge three other Treaty interests. First, Māori customers who may require the support of intermediaries (Māori or non-Māori). Second, Māori entities who may wish to access information from Inland Revenue about their members or beneficiaries for purposes unrelated to tax or social policy entitlements. The third interest is those who may be a nominated person (that is, a person that is nominated to interact with Inland Revenue on behalf of a customer).

Treaty settlement commitments

7.7 We are not aware of any Treaty settlement commitments that establish obligations on tax settings.

Treaty principles

7.8 While the Waitangi Tribunal's reports are not legally binding, their insight and expertise offer guidance on the application of the principles of the Treaty. In the absence of an inquiry into the digitalisation of service provision, and while the Waitangi Tribunal's inquiry into economic policy is currently underway, we must look to their reports on related matters for guidance.

7.9 We consider that the Treaty principles relevant to the matters raised in this document are:

- **Partnership:** This principle requires the Government to consult and partner with Māori genuinely in the design and delivery of services, and for the Government to be willing to work through structures preferred by Māori in the circumstances, whether that is through iwi, hapū, whānau or any other entity.⁸ This principle also establishes a Treaty standard that requires the Government to provide logistical and financial support to Māori, and to enable Māori to retain decision-making responsibility.⁹
- **Active protection:** The Government is required to actively protect the exercise of tino rangatiratanga by Māori. This includes affording Māori, through their iwi, hapū and any other entity, their right to manage the full range of their affairs in accordance with their own tikanga.¹⁰ This principle also requires that, when there are persistent and marked disparities in outcomes, the Government takes appropriate measures on the basis of need to minimise them over the long term.¹¹

7.10 The extent to which these principles, as articulated by the Waitangi Tribunal, are engaged with will vary depending on the Treaty interest at issue.

Treaty implications

7.11 Intermediaries will increasingly play a valuable role in the tax system. What that role looks like for Māori intermediaries and Māori customers is not clear. However, we acknowledge that the role that Māori entities have in social policy, that is, outside the tax system, has evolved and, in recent years, seen them deliver services that would have otherwise been delivered by the Government. This raises questions for what that role could include, if Māori entities were

⁸ Waitangi Tribunal. (2023). *Hauora: Report on Stage Two of the Health Services and Outcomes Kaupapa Inquiry* (Wai 2575, p. 28). Wellington, New Zealand: Waitangi Tribunal.

⁹ Waitangi Tribunal. (2011). *Ko Aotearoa Tēnei: A Report into Claims Concerning New Zealand Law and Policy Affecting Māori Culture and Identity—Te Taumata Tuarua* (Vol. 2, p. 559). Wellington: Legislation Direct.

¹⁰ Waitangi Tribunal. (2018). *Te Mana Whatu Ahuru: Report on Te Rohe Pōtae Claims – Pre-publication Version, Parts I and II* (p. 189). Wellington, New Zealand: Waitangi Tribunal.

¹¹ Waitangi Tribunal. (2023). *Hauora: Report on Stage One of the Health Services and Outcomes Kaupapa Inquiry* (Wai 2575, p. 29). Wellington, NZ: Legislation Direct.

to continue to expand their offerings to include providing services to customers in relation to their tax and social policy entitlements, that is, within the tax system.

7.12 At the same time, the Māori economy is experiencing sustained growth, driven by diversification beyond traditional sectors into high-value industries such as technology. The footprint of Māori-owned tech companies in the digital ecosystem, and their embedding of mātauranga Māori into digital solutions, is growing;¹² a trend we anticipate will continue. The catalysts for this are three reinforcing factors:

- increasing investment in innovation and data sovereignty
- strong demographic growth with a younger, tech-savvy population, and
- iwi strategies prioritising digital capability as a pathway to economic resilience.

7.13 Together, these dynamics position the Māori technology sector as a potential cornerstone for new and emerging models for supporting iwi, hapū and other entities, including in relation to tax and social policy entitlements.

7.14 The case for change, as discussed in Chapter 2, supports the direction Māori entities appear to be taking in social policy and technology. From a Treaty standpoint, we consider that the case for change sits, more specifically, on two fronts:

- flexibility of the regulatory framework to enable Māori business models that may not fit current legislative settings
- opportunity to help Māori customers, in particular, meet their tax obligations and access their social policy entitlements.

If designed well, the settings could enable Māori intermediaries to operate in a way that is unique to Māori and to promote positive outcomes across the range of Treaty interests.

7.15 The specific proposals that could have Treaty implications are set out in the table below.

Proposal	Treaty implications
Establishing a new digital services providers category	<p>Chapter 3 discusses this proposal.</p> <p>For Māori entities wanting to be DSPs who may have business models unique to Māori, or for non-Māori entities who would provide services to Māori customers, we anticipate this category would be viewed as positive. We do not have detailed insight into what these evolving or unique models could be and are, therefore, not able to describe the possible scenarios that could be enabled for Māori.</p> <p>The extent to which this proposal promotes positive outcomes will depend on the specific parameters. Of the four</p>

¹² Toi Hangarau. (2023). *Mapping the Māori tech sector: July 2023*. Toi Hangarau. Retrieved from https://assets-global.website-files.com/62b911a4e86364edc429514a/64c1baf76079437623ff1e7f_mapping-m%C4%81ori-tech-sector-15Jul2023.pdf

Proposal	Treaty implications
	<p>proposed parameters outlined in Chapter 3, we anticipate Māori may have a particular interest in the proposal to test whether admitting the intermediary would cause net costs to the tax system. Anecdotal evidence suggests that Inland Revenue’s operational policies and practices may be viewed by Māori entities as not being conducive to their models. There may be a perceived risk that, with this proposed parameter, Inland Revenue’s approach to engaging with new models may be guided by status quo bias that could be entrenched by this proposed parameter if legislated.</p> <p>We also anticipate that Māori may have a particular interest in how Inland Revenue approaches the terms of use for each DSP. The terms may include confidentiality of client information, data security standards, data transmission standards and privacy requirements, which we assume Māori customers would be supportive of. Whether Māori entities would be supportive would centre around the ability to make flexible and targeted responses that evolve with technology and risk.</p>
<p>Establishing a new data consumers category</p>	<p>Chapter 4 discusses this proposal.</p> <p>For Māori entities wanting to access Inland Revenue data about customers, we anticipate this category would be viewed as positive. Subject to the consent of the customer, we consider this category could enable the following scenarios:</p> <p>Financial institutions could access and use customer data to ensure distributions are appropriately withheld and accurately allocated to income profiles.</p> <p>Māori entities, particularly those representing iwi and hapū, may wish to access and use customer data about their beneficiaries. The purposes of this access and use could include, for example, tailoring products and services offered by those Māori entities to meet the wider social and economic needs of their beneficiaries.</p> <p>Māori entities may want to access and share Māori customer data with other parties that may have an interest in that data. This could include, for example, when a Māori entity and another party share an interest in promoting the wider social and economic needs of Māori customers.</p> <p>The extent to which this proposal promotes positive outcomes will depend on the specific parameters, some of</p>

Proposal	Treaty implications
	which are anticipated to be the same as those contemplated for the new DSP category.
Widening the Commissioner's discretion to disallow someone from being a nominated person	<p>Chapter 5 discusses a number of proposals intended to improve settings for current intermediaries.</p> <p>We anticipate Māori customers may have a particular interest in the proposal to widen the Commissioner's discretion to disallow someone from being a nominated person (although acknowledging the wider discretion would apply to limited circumstances). While we do not have insights that illustrate the extent to which Māori customers may rely on nominated persons, the disparities that exist in some determinants for engaging with the tax system suggest Māori would be more likely require the services of a nominated person.</p> <p>The risk with widening the Commissioner's discretion to disallow someone from being a nominated person, is that Māori who rely on them to meet their tax obligations may not be able to meet those obligations. There are negative consequences associated with that, which we would need to balance against the need to protect the integrity of the tax system.</p>

Questions for submitters

Q30. Do you agree that the proposals identified in this chapter would have direct impacts for Māori?

Q31. Do you agree that the impacts are articulated appropriately? If not, what impacts do you believe the proposals are likely to have for Māori?

Māori data sovereignty

7.17 Māori data sovereignty is an emerging field that focuses on the rights and interests that Māori may have in relation to the collection, ownership and use of Māori data. It recognises that Māori data must be subject to Māori governance and establishes a set of principles to support the realisation of Māori rights and interests and the ethical use of data. We consider that Māori data sovereignty may be relevant to the matters raised in this document, but it is not clear how it should be considered.

7.18 Te Kāhui Raraunga, a collective focused on advancing Māori data sovereignty, has developed guidance, the Māori Data Governance Model, for embedding Māori data governance and, by extension, Māori data sovereignty across the public service. The guidance acknowledges that legislation that does not provide for the "full expression of Māori rights and protection" is

likely to create ongoing issues.¹³ It suggests the aim would be to develop bespoke legislation to adequately provide for Māori data sovereignty.

- 7.19 The development of bespoke legislation that provides for Māori data sovereignty is not being contemplated at this stage. However, we remain open to understanding how Māori data sovereignty could be considered in the design of the proposals discussed above.

Questions for submitters

Q32. Do you agree that Māori data sovereignty may be relevant to the matters raised in this document? If so, how could we consider Māori data governance in the design of the proposals?

¹³ Kukutai, T., Campbell-Kamariera, K., Mead, A., Mikaere, K., Moses, C., Whitehead, J., & Cormack, D. (2023). *Māori data governance model* [Report]. Te Kāhui Raraunga.

Appendix – Questions for submitters

Chapter 3 – Digital services providers

- Q1. Do you agree with creating a new category in Part 7B of the TAA for DSPs?
- Q2. Should there be separate categories for those DSPs that solely provide software and those that provide advice in relation to tax liabilities?
- Q3. Do you agree with the proposed requirements for entry into and remaining in the category?
- Q4. What is the right way to achieve an appropriate balance between costs to Inland Revenue and benefits to the wider tax system?
- Q5. What balance should there be between regulations in the legislation and those delegated to the Commissioner in the terms of use?
- Q6. Should existing DSPs (with access to Gateway services) be required to apply to be in this category or should they be automatically included?

Chapter 4 – Data consumers

- Q7. Do you agree with creating a new category in Part 7B of the TAA for data consumers?
- Q8. What factors would be important for Inland Revenue to consider when accrediting a data consumer?
- Q9. Do you have any views about Inland Revenue making taxpayer data available to third parties if the taxpayer has consented to this access? In other words, do you have views about Inland Revenue entering into a consumer data right type arrangement with respect to a selection of data it holds?

Chapter 5 – Adjustments to existing categories in Part 7B

- Q10. Do you agree with creating a new category in Part 7B of the TAA for bookkeepers?
- Q11. Would replacing the 10-client rule as it applies to tax agents (and bookkeepers if that category were created) with mandatory membership of an approved professional body be an improvement over the status quo?
- Q12. For an entity, how should the number of members of an approved body be defined?
- Q13. If such a change were made, would a three-year transition be adequate?
- Q14. Would it be better to apply the new requirement only to new entrants to the tax agents and bookkeepers category?
- Q15. Are there alternatives or other changes that should be made to the tax agents or representatives (or bookkeepers) category to strengthen confidence in the quality of services provided by members of these groups?

- Q16. Should the requirement to not adversely affect the integrity of the tax system apply to PAYE intermediaries and tax poolers?
- Q17. Would you support the Commissioner's discretion to disallow a person being a nominated person being widened to cover any circumstance when the integrity of the tax system is at risk?

Chapter 6 – Digital services providers as tax crediting agents

- Q18. Does the tax crediting agent model described in this chapter reflect how DSPs currently operate in practice?
- Q19. Are there other models or arrangements that we should be aware of?
- Q20. Is the tax crediting agent model worth exploring further?
- Q21. What are the key risks or limitations of the tax crediting agent model, and how could they be managed?
- Q22. What safeguards would be needed to ensure that tax credits only arise when appropriate?
- Q23. What information should DSPs be required to provide Inland Revenue to support credit recognition?
- Q24. What reporting frequency would be appropriate?
- Q25. Should we consider extending the model to other obligations, such as student loans and/or GST?
- Q26. What should the Commissioner consider when approving a DSP to act as a tax crediting agent?
- Q27. What ongoing conditions or review mechanisms should apply to approved DSPs?
- Q28. Is the potential for mismatches between in-year payments and end-of-year tax returns a significant issue, and how might it be addressed?
- Q29. Do you see any distortions or risks for other business models outside of DSPs?

Chapter 7 – Treaty of Waitangi considerations

- Q30. Do you agree that the proposals identified in this chapter would have direct impacts for Māori?
- Q31. Do you agree that the impacts are articulated appropriately? If not, what impacts do you believe the proposals are likely to have for Māori?
- Q32. Do you agree that Māori data sovereignty may be relevant to the matters raised in this document? If so, how could we consider Māori data governance in the design of the proposals?