

# Information sharing between Inland Revenue and the Ministry of Social Development

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*A Government discussion document*

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Information sharing between Inland Revenue and the Ministry of Social Development: A Government discussion document.

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# CHAPTER 1

## Introduction

- 1.1 One of the principal objectives of the Government's public sector reforms is for agencies to take a more collaborative, cross-agency approach to delivering better services to New Zealanders. Government agencies are expected to provide the right service to the right person at the right time, by improving the amount and type of information that can be shared between them.
- 1.2 Inland Revenue has been exchanging targeted information with the Ministry of Social Development since 1994. Those exchanges have delivered significant benefits to the Government and citizens in terms of service improvements and more accurate payments.
- 1.3 At present, agencies share information under a number of information matching and sharing agreements, which have specific purposes and enable limited information to be shared. This results in multiple requests for the same information under different legislative provisions to determine a customer's entitlement to benefits and subsidies. These agreements also provide limited ability for collaboration between agencies, and are difficult, expensive, and time-consuming to amend.
- 1.4 Alternatively, an Approved Information Sharing Agreement (AISA) is a legal framework outlined in Part 9A of the Privacy Act 1993 that allows for a wider purpose for the information shared compared with individual agreements, while also providing robust privacy and appropriate safeguards around how that information may be used.
- 1.5 Inland Revenue and the Ministry of Social Development are seeking to replace their existing information sharing agreements with an AISA. This will allow a wider purpose for the sharing of information, which will, in turn, enable services to be delivered more seamlessly and in a timelier manner, by allowing the two agencies to perform their respective roles more efficiently.

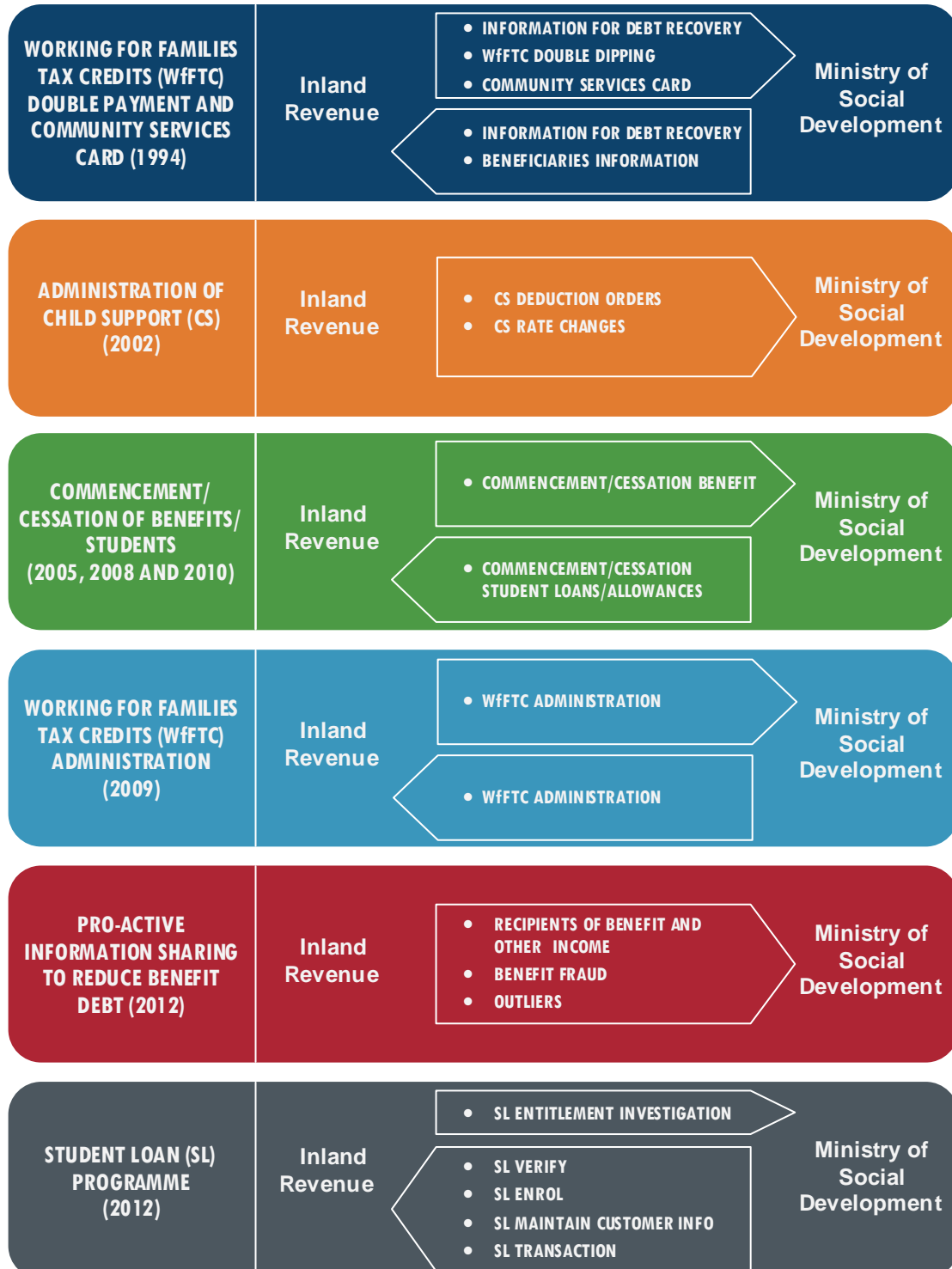
### **Purpose of this consultation**

- 1.6 The Government believes the proposals set out in this document will allow the two agencies to provide services more efficiently, while maintaining the protections provided by the Privacy Act 1993 and the Tax Administration Act 1994.
- 1.7 The Government welcomes feedback on the perceived advantages and disadvantages of these proposals and whether further controls should be put in place.
- 1.8 These proposals build on the current successful information sharing activity.

## Summary of proposals

- 1.9 The Government proposes that the current numerous and diverse information sharing agreements between Inland Revenue and the Ministry of Social Development should be amalgamated into one Approved Information Sharing Agreement. The diagram shows the information shared between the two agencies under those agreements.

### INFORMATION SHARED UNDER CURRENT AGREEMENTS COVERED BY THE PROPOSED AISA



- 1.10 The Government also proposes that the information shared between the two agencies is extended to:
- sharing income and family details to enable the provision of targeted housing assistance to those in need; and
  - sharing income details of students and their parents to enable verification of income for the assessment of student allowance entitlements.

### **How to make a submission**

- 1.11 Submissions are invited on the proposals in this discussion document.
- 1.12 The closing date for submissions is 16 December 2016.
- 1.13 Submissions can be made:
- online at the Government Online Engagement Services' website [www.govt.nz/Info-sharing-IR-and-MSD](http://www.govt.nz/Info-sharing-IR-and-MSD);
  - by email to [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz) with "Information sharing between Inland Revenue and the Ministry of Social Development" in the subject line; or
  - by post to:  
Information sharing between Inland Revenue and the Ministry of Social Development  
C/- Deputy Commissioner, Policy and Strategy  
Inland Revenue Department  
PO Box 2198  
Wellington 6140
- 1.14 Submissions should include a brief summary of major points and recommendations. They should also indicate whether it would be acceptable for officials from Inland Revenue and the Ministry of Social Development to contact those making the submission to discuss the points raised, if required.
- 1.15 Submissions may be the subject of a request under the Official Information Act 1982, which may result in their release. The withholding of particular submissions, or parts thereof, on the grounds of privacy, or commercial sensitivity, or for any other reason, will be determined in accordance with that Act. Those making a submission who consider that there is any part of it that should properly be withheld under the Act should clearly indicate this.

## CHAPTER 2

### Background

2.1 Inland Revenue and the Ministry of Social Development have been exchanging targeted information since 1994, to enable the two agencies to fulfil their functions more efficiently and effectively. The existing exchanges provide for:

- better administration of shared services (such as Working for Families tax credits, child support, and student loans);
- more accurate assessment of tax obligations; and
- correct entitlement to benefits and other subsidies as a result of income and relationship information being sent from Inland Revenue to the Ministry of Social Development.

2.2 There are currently nine legislative provisions for the sharing of information between the two agencies. These provisions are reflected in the six administrative processes illustrated in the diagram on page 2. The provisions are:

<b>Tax Administration Act 1994</b>	
Section 81BA	Pro-active sharing of Inland Revenue information with the Ministry of Social Development, to identify beneficiaries who are receiving income while on a benefit, in order to reduce benefit debt.
Section 82	Exchange of information to verify entitlement to benefits or earnings-related compensation.
Section 82A	Exchange of information to ensure correct provision of an IRD number, and to prevent cessation of a benefit.
Section 83	Exchange of information for the purposes of providing a Community Services Card to a beneficiary or to verify their entitlement to a Community Services Card.
Section 84	Exchange of information to identify when a family is receiving Working for Families tax credits from both Inland Revenue and the Ministry of Social Development, and to determine whether the family was entitled to any benefit.
Section 85	Exchange of information to assist the Ministry of Social Development to recover money owed by debtors.
Section 85G	Exchange of information to enable Inland Revenue to provide Working for Families tax credits, to seek an application from a family for a tax credit, to seek additional information in relation to a tax credit, or to cease payment of a tax credit.
<b>Student Loan Scheme Act 2011</b>	
Section 207	Exchange of information for the purposes of validating loan applications, setting up and maintaining Student Loan accounts and recording loan transactions.
<b>Child Support Act 1991</b>	
Section 240	Exchanging information for the purposes of carrying into effect the Child Support Act 1991 and the Social Security Act 1964.



- 2.3 Although the current information sharing is providing excellent improvements across a range of areas, the Government believes a more comprehensive approach would allow these two agencies to provide a better customer experience. For instance, the current information sharing agreements provide limited means to better support citizens or gain future efficiencies because of the specific purposes of the agreements.
- 2.4 The information exchanged is based on specific products, with each information sharing agreement having a very specific purpose. This restricts the use of the information to the assessment of a specific benefit or subsidy, and has led to multiple requests for the same information under different agreements, when it is needed for different purposes.
- 2.5 Research conducted by Inland Revenue and Victoria University of Wellington<sup>1</sup> indicates that New Zealanders are generally supportive of information sharing across government. They expect high standards of management around the information shared, and they expect their personal circumstances to be considered holistically. Information sharing will only achieve the benefits from the proposals outlined in this document if government agencies are trusted to share only when appropriate, and handle private information respectfully and with transparent processes.
- 2.6 This research also explored cultural perspectives on information sharing. In general, the public sees information sharing between government departments as “potentially beneficial but also needing strong protocols for privacy, data quality, transparency, and consent”.<sup>2</sup>
- 2.7 Some common themes emerged from research on 13 overseas tax jurisdictions<sup>3</sup> about information sharing frameworks. These included:
- requirements for clear processes;
  - public registers of approved information sharing activities;
  - scrutiny and reporting by an authorising body; and
  - the need for guidance to be provided to those processing personal information.
- 2.8 Of the 13 jurisdictions that took part in the research:
- ten allow for disclosure by government agencies if public interest/benefit to the individual outweighs privacy considerations; and

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<sup>1</sup> Professor Miriam Lips, Dr Elizabeth Eppel, Amanda Cunningham & Virginia Hopkins Burns, *Public Attitudes to the Sharing of Personal Information in the Course of Online Public Service Provision*, Victoria University of Wellington, 2009.

<sup>2</sup> Inland Revenue, *Information sharing between government agencies – Cultural perspectives*, Inland Revenue, 2012.

<sup>3</sup> The Netherlands, Denmark, Belgium, Austria, Australia, Canada, Alberta, British Columbia, New Brunswick, the United Kingdom, South Australia, New South Wales and New Zealand.

- nine allow personal information to be used for reasons other than the purpose for which it was gathered, provided the new use is either “compatible with” or “consistent with” the original purpose.

2.9 The proposals in this document would embed similar checks aligned with New Zealand legislation.

## CHAPTER 3

### Main proposal

- 3.1 The main proposal is to consolidate six of the existing agreements between Inland Revenue and the Ministry of Social Development into one.
- 3.2 This agreement would be authorised under the new Approved Information Sharing Agreement (AISA) rules contained in Part 9A of the Privacy Act 1993. AISAs are a mechanism in the Privacy Act that allow information sharing between and within agencies to deliver public services. These agreements clarify and improve the rules around how agencies share personal information, while ensuring safeguards are in place to protect an individual's privacy.
- 3.3 This AISA has three purposes:
- to consolidate the existing information sharing agreements between the two agencies under the Tax Administration Act 1994, Child Support Act 1991, and Student Loan Scheme Act 2011, into one agreement;
  - to extend the information sharing to enable the provision of targeted housing assistance to those in need; and
  - to extend the information sharing to verify a student's and their parents' income for the assessment of student allowance entitlements.
- 3.4 The proposed amalgamation of agreements under one framework would provide more flexibility to the sharing of information between the agencies. The AISA framework allows amendments to be made in the future when there is a need for including other agencies, new information and new purposes for sharing. However, any changes would still go through a robust process to make sure the Privacy Act safeguards are maintained and consultation is undertaken within government and with the public.
- 3.5 Including additional information in the sharing agreement would mean the Ministry of Social Development could ensure people receive correct entitlements and benefits across a wider range of services than currently. For example, the extension to include income information for social housing purposes would help in calculating the correct rate of income-related rent a household may be required to pay for a property. The Ministry of Social Development would verify their client's self-reported income data against their income data from Inland Revenue. This creates greater efficiencies and reduces the impact on employers, who currently are required to provide that information.
- 3.6 An example where the AISA framework would prove its value is when a new agency for vulnerable children, currently under the Ministry of Social Development, becomes operational.
- 3.7 The new Ministry for Vulnerable Children – Oranga Tamariki, will begin operating in April 2017. This agency will be separate from the Ministry of

Social Development. Information currently provided to the Ministry of Social Development may also need to be provided to this new ministry to enable it to fulfil its functions. This change may involve the AISA being extended to incorporate a new party to the agreement and specify the information to be transferred. The requirements to enable that will be worked through with the new agency.

3.8 An AISA must include certain features required by the Privacy Act, including:

- the purpose of the agreement;
- privacy safeguards; and
- advising what information will be shared and how.

3.9 AISAs can modify or override the Privacy Act's information privacy principles or codes of practice. The most common exemption or modification, and the two proposed to be modified in this AISA, are:

- *Principle 2: Source of personal information* – It is not a breach of information privacy principle 2 for the agencies to collect personal information from each other for the purposes of the AISA; and
- *Principle 11: Limits on disclosure of personal information* – It is not a breach of information privacy principle 11 for the agencies to disclose personal information to each other for the purposes of the AISA.

However, AISAs cannot modify or override information privacy principles 6 and 7, which allow a person to access and correct their personal information.

## Personal information shared

- 3.10 Under the proposed AISA agreement, the information that is currently shared between the two agencies will continue to be shared.

### INFORMATION CURRENTLY SHARED BETWEEN AGENCIES

<b>PERSONAL INFORMATION</b>	Customer's IRD number and social welfare number Customer's and partner's name (including alias etc.) and dates of birth Customer's and partner's address and contact details Bank account details Customer nominated person/agent Immigration details (arrival and departure dates) Associated entities Whether deceased or bankrupt
<b>INCOME AND EMPLOYMENT DETAILS FOR CUSTOMER AND PARTNER</b>	Assessable income of customer and partner Name and trading address of employer(s) Employer(s) address, phone number and email address Employees tax code Start and end dates for any employment Employment income (monthly)
<b>FAMILY DETAILS</b>	Dependent sibling's names and date of birth Child support details Care giving arrangements (days and hours cared for child) Change of marital status/partner Paid parental leave Start and stop dates of child entitlement
<b>BENEFIT DETAILS FOR CUSTOMER AND SPOUSE</b>	Beneficiaries type and start and stop status Gross benefit received and amount entitled to receive from MSD and/or IR Whether full of partial benefit received Reason for benefit cessation
<b>STUDENT LOAN SCHEME</b>	Transaction code, date and amount Tertiary provider number Loan application and enrolment date, start and cease dates and reason for ceasing

3.11 The information currently shared under each agreement is outlined in more detail in the Appendix.

3.12 Information shared under the proposed AISA will also include information used to assess an applicant's entitlement to student allowance and housing assistance, including:

- personal information – name(s) and contact details;
- income information – salary or wages, employer(s) names and contact details, interest, dividends and Māori authority income, as well as self-employed or partnership income of the person, or in relation to student allowance applicants under 24 years of age, the parents' income details;
- family details – a partner's name and contact details, salary or wages, employer(s) names and contact details, the partner's interest, dividends and Māori authority income, as well as self-employed or partnership income.

Most of this information is already shared under the current agreements.

#### **Question**

Do you think the information being shared will improve the services provided by the agencies? If not, why not?

#### **Use of information**

3.13 The existing information exchange agreements have purpose provisions that are very specific, which restricts what the information can be used for. This may affect the agency's ability to correctly determine entitlement to benefits and subsidies, result in multiple requests being made to Inland Revenue for the same information, or delay payments due to the need for evidence to be provided. The following examples illustrate some of the situations where this can occur.

#### **Example**

Currently, the Ministry of Social Development receives income information for the purposes of determining entitlement to main benefits. This income information, once verified with the customer, would also be useful in determining entitlement to social housing, but because of the prescriptive nature of the existing agreements, this income information cannot be used for other purposes.

### **Example**

A customer applies to the Ministry of Social Development for a benefit and must provide verification of their IRD number but some customers do not have this in their possession. Currently, the customer has to go to Inland Revenue to get verification of their IRD number. Under the Student Loan Scheme, Inland Revenue is able to verify IRD numbers in near real-time. If the purpose of the existing IRD number verification system were to be expanded in the future, the agencies would be able to verify IRD numbers for benefit applications, which would save time for customers.

- 3.14 To address the issues in these examples, the Government proposes to change the focus for information sharing, from agreements that share information for purposes of determining an entitlement to a product type (such as child support or Working for Families), to one with a more generic purpose.
- 3.15 The generic purpose would change the way information can currently be used, and the oversight and safeguards that apply to these exchanges. This will enable information to be shared for the purpose of determining an individual's eligibility to benefits and subsidies provided by the two agencies, and for assessing tax obligations.
- 3.16 The Government could amend the AISA in the future to enable further information sharing between the two agencies or other agencies that join the AISA, provided the sharing meets the purpose provision.

### **Questions**

- Do you agree with the proposal to expand use of personal information between the Ministry of Social Development and Inland Revenue? If not, why not?
- Would you be prepared to have more of your information shared if it meant faster, more accurate assessment of your entitlements and tax obligations? If not, why not?

### **Method of transfer**

- 3.17 Currently, the agencies use various methods for transferring information between them. Different transfer mechanisms can lead to duplication of effort for each agency and increased costs associated with information sharing.
- 3.18 As agencies' business transformation and information technology programmes progress, the two agencies propose to standardise the mechanism for exchanging information as much as possible, using up-to-date technologies and more secure information sharing mechanisms. This will reduce the administration costs associated with sharing information.

## Safeguards

- 3.19 The Government takes the protection of personal information seriously. The proposed AISA would include controls and processes to minimise any risk of a privacy or secrecy breach occurring.
- 3.20 The sharing of information would only occur for the purposes set out in the AISA, namely for determining an individual's entitlement to benefits and subsidies, and for assessing tax obligations.
- 3.21 Memorandums of understanding agreed by the two agencies would need to be in place before any information sharing could occur, and would provide:
- details on how the information exchanges would occur, such as what information can be exchanged and the safeguards to ensure the privacy of the information shared; and
  - the designated senior personnel of each agency responsible for the information sharing.
- 3.22 Information would be available only to authorised staff in each agency, and customers would have rights and options available, to ensure their information is treated appropriately under the proposed AISA. These rights include:
- the right to seek access to, and to have corrected the information held about them by an agency, under the Privacy Act 1993; and
  - the ability to use the internal complaint procedures of the agency concerned or seek assistance from the Office of the Privacy Commissioner if the individual has concerns about how their information has been treated.
- Inland Revenue and Ministry of Social Development staff who knowingly disclosed information outside what has been legally permitted would face potential criminal liability for breaching taxpayer secrecy.<sup>4</sup> On conviction they could be liable to a term of imprisonment up to six months and/or a fine not exceeding \$15,000.
- 3.23 In the event that a privacy breach did occur, despite the protections in place, measures will be in place to ensure that any affected individuals are identified as quickly as possible. The necessary steps taken to minimise and mitigate any risk to those individuals are:
- designated senior personnel in the relevant agencies would meet immediately to assess the issue and manage the response;
  - information-sharing would be immediately suspended if there was any risk of on-going breaches; and

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<sup>4</sup> Person would be breaching taxpayer secrecy under section 81 of the Tax Administration Act and on conviction could be liable to penalty and/or term of imprisonment under section 143E of the Tax Administration Act.



- the Office of the Privacy Commissioner would be notified and involved where appropriate.

### **Questions**

- Are there sufficient safeguards for the protection of your information? What else should be considered?
- Have all the likely issues relating to consolidating information sharing between the two agencies into one agreement been considered?

## CHAPTER 4

### Benefits and costs

- 4.1 Research shows there is considerable public trust that information sharing reforms will be beneficial to society, but this has to be balanced with a commitment to transparency by the Government.
- 4.2 From a customer perspective, greater sharing of customer information facilitated by the proposed AISA would, over time:
- reduce the need for individuals to interact with agencies on multiple occasions or to provide duplicate information to government agencies;
  - make it easier for individuals to meet their obligations, thereby reducing adverse outcomes such as accumulating debt; and
  - meet evolving expectations of the public to provide joined-up social services across government agencies.
- 4.3 From a government and agency perspective, the wider scope of the agreement and having all information sharing under one agreement would, over time:
- contribute to the Government's Better Public Service objectives of better service to New Zealanders;
  - provide a foundation on which to base future sharing of information among the two agencies;
  - enable agencies to provide services more efficiently and effectively, by improving the timeliness and accuracy of benefits and subsidies, and assisting the assessment of tax obligations;
  - provide easier and faster access to government services and reduced compliance costs for customers;
  - reduce the administration costs associated with agencies sharing information; and
  - create public confidence through the perception of agencies' efficiency in managing customer information – sharing the right information, in the right way, at the right time.
- 4.4 Benefits resulting from information sharing between Inland Revenue and the Ministry of Social Development are already evident under the current information sharing agreements. Information sharing has been helping the Ministry of Social Development to provide improved services by accurately determining entitlement to benefits, and quickly identifying changes in income leading to changes in entitlement.
- 4.5 Currently, one of the agreements shares employer monthly schedule information to identify all working-age beneficiaries who also have employment income. Since its implementation in 2012, the information

shared has helped correct thousands of benefits (including cancellations, overpayments and underpayments). This represented a dramatic reduction in beneficiary debt. For example, the average debt value for 2014–15 was \$3,877 while the average for 2015–16 reduced to \$1,428.

- 4.6 For the Ministry of Social Development, the benefits are reflected in the accurate determination of entitlements, early detection of customers with overpayments and identification of fraud. This ensures customers are given an opportunity to comply in a timely manner, which reduces the overall number of cases requiring further action.
- 4.7 For the Government, the more accurate provision of benefits and subsidies, and assessment of tax obligations will reduce the costs of providing such services.
- 4.8 Both agencies are currently going through a process of transforming their IT systems. Officials are working through the extent to which the IT systems used for the provision of information between the two agencies can be incorporated within each agency's transformation programmes. To the extent to which this can occur, the additional costs to the Government will be kept to a minimum.

## APPENDIX

### Types of information shared

This Appendix lists the current agreements and the types of information shared.

#### **Determining entitlement to the Community Services Card sharing agreement**

- Number of children and children's dates of birth
- Full or partial entitlement to Working for Families tax credits (WfFTC)
- Deemed assessable income of applicant and spouse
- Actual assessable income of applicant and spouse
- Credits of tax payable and credit actually paid (WfFTC).

#### **Determining employment start and stop dates for benefits, students and Working for Families tax credits sharing agreement**

- Applicant's IRD number and social welfare number
- Applicant's name and date of birth
- Name, address and contact details of applicant's employer
- Commencement and cessation date with employer
- Income source and monthly income of applicant
- Benefit type and start and end date
- Gross benefit received.

#### **Detect double payments of Working for Families tax credits sharing agreement**

##### *Primary carer*

- Primary carer's IRD number and social welfare number
- Primary carer's names, date of birth and contact details (address and phone number)
- Primary carer's bank account number
- Primary carer's date of arrival in New Zealand
- Type of benefit received and gross income from benefits
- Primary carer's gross Working for Families tax credits paid and whether full or partial
- Primary carer's benefit start and end dates.

### ***Partner***

- Partner's IRD number and social welfare number
- Partner's name and date of birth
- Partnership "known since" date
- Partner's estimated and actual weekly gross income from benefit
- Partner's Working for Families tax credits paid and gross rate of payment
- Partner's benefit start and end date
- Reason code for benefit cessation.

### ***Entitlement***

- Qualifying hours for carer and partner
- Children's names and date of birth
- Number of days shared care of child
- The start and stop date relating to a child's entitlement
- Working for Families tax credits paid by Inland Revenue and the Ministry of Social Development and date payment started
- Working for Families tax credits paid since benefit start
- Date final Working for Families tax credits paid by the Ministry of Social Development and whether payment extension applies
- Partner's gross Working for Families tax credits paid.

### **Administration of child support scheme sharing agreement**

- Person's name, address, and date of birth
- Request and confirm whether person receiving sole parent benefit
- IRD number and social welfare number
- Benefit type and date received from and date paid to
- Parental benefit rate
- Confirm custodial parent indicator
- Date child excluded from benefit.

### **Administration of student loan scheme sharing agreement**

- Borrower's name, IRD number and date of birth
- Borrower's address and contact details (email, phone, mobile number)
- Transaction code
- Tertiary provider number

- Transaction date and amount
- Loan start and cease dates (including reason for ceasing)
- Loan application date and enrolment date.

## **Reduce benefit debt sharing agreement**

### ***Personal information***

- Customer's IRD number and social welfare number
- Customer's name details (including alias and preferred names) and date of birth
- Beneficiaries' start and stop status
- Bank account details
- Customer's contact details (phone number, email address and physical address)
- Customer's nominated person/agent
- Immigration details
- Associated entities
- Whether deceased or bankrupt.

### ***Family details***

- Dependent sibling's names and date of birth
- Partner/spouse name
- Child support details
- Care-giving arrangements
- Change of marital status/partner
- Paid parental leave.

### ***Employment details***

- Name and trading address of employer(s)
- Employer(s) address, phone number and email address
- Employees tax code
- Assessable income
- Employment income (monthly)
- Start and end dates for any employment
- Benefit type and gross benefit received.