

# Hon Stuart Nash, Minister of Revenue

## Information Release

### Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020

July 2020

#### Availability

This information release is available on Inland Revenue's Tax Policy website at <https://taxpolicy.ird.govt.nz/publications/2020-ir-cab-leg-20-sub-0027/overview>

#### Documents in this information release

1. LEG-20-SUB-0027 – Cabinet paper: Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020 (3 March 2020)
2. LEG-20-MIN-0027 – Minute: Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020 (3 March 2020)

#### Additional information

The Cabinet paper was considered by the Cabinet Legislation Committee on 3 March 2020 and confirmed by Cabinet on 9 March 2020.

One attachment to the Cabinet paper is not included in this information release as it is publicly available:

- Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020

#### Information withheld

No information was withheld for this information release.

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In Confidence

Office of the Minister of Revenue

Chair, Cabinet Legislation Committee

## **TAX ADMINISTRATION (DIRECT CREDIT OF REFUNDS OF EXCESS FINANCIAL SUPPORT AND STUDENT LOAN PAYMENTS) ORDER 2020**

### **Proposal**

1. This paper seeks the Cabinet Legislation Committee's agreement to submit an Order in Council making Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020 to the Executive Council.
2. It is proposed that the Order in Council applies to the refunds of financial support<sup>1</sup> and student loan deductions be made by direct credit from 9 April 2020.

### **Direct credit of refunds**

3. I recommend that refunds of financial support and student loan payments be made by direct credit from April 2020. Refunds will be made by direct credit unless it would result in undue hardship or is not practicable (for example, if the bank account is overseas and it is not possible to direct credit). This proposal aligns with the movement of the administration of financial support and student loans deductions by employers to the new technology platform in the next release planned for April 2020.
4. The Tax Administration Act 1994 provides for progressive implementation of mandatory direct crediting of refunds by Order in Council. It was enacted with effect of 1 April 2000 to benefit taxpayers by eliminating time delays associated with the postal system and costs related to the banking of cheques. Inland Revenue would also benefit from reduced administration costs. The provision also allows for exemptions when direct crediting would cause undue hardship or is impracticable.
5. Progressive implementation for the various tax types through Orders in Council was to allow Inland Revenue the necessary flexibility to determine the dates when direct crediting of refunds relating to different tax types could best be implemented in terms of system readiness. It was also to give taxpayers time to provide Inland Revenue with up to-date bank account details and taxpayers with complex business activities more time to plan and adapt their processes. The intent was that the Commissioner would eventually be required to direct credit all refunds into taxpayers' bank accounts.
6. Compulsory direct crediting of refunds has been implemented for gaming machine duty, income tax, and goods and services tax as part of moving the administration to Inland Revenue's new technology platform.

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<sup>1</sup> Meaning child support and domestic maintenance as defined in the Child Support Act 1991.

## **Timing and 28-day rule**

7. I propose that direct crediting of refunds for financial support and student loan deductions under section 184A of the Tax Administration Act 1994 applies to refunds made from 9 April 2020. The Order would therefore be in accordance with the rule that regulations must not come into force until at least 28 days after they have been notified in the New Zealand Gazette.

## **Compliance**

8. The Order complies with:
  - 8.1 the principles of the Treaty of Waitangi;
  - 8.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
  - 8.3 the principles and guidelines set out in the Privacy Act 1993;
  - 8.4 relevant international standards and obligations; and
  - 8.5 the Legislation Guidelines, which are maintained by the Legislation Design and Advisory Committee.
9. No statutory prerequisite exists for making this Order.

## **Regulations Review Committee**

10. There are no anticipated grounds for the Regulations Review Committee to draw the Order in Council to the attention of the House under Standing Order 319.

## **Certification by Parliamentary Counsel**

11. The Parliamentary Counsel Office has certified that the Order in Council is in order for submission to Cabinet.

## **Impact Analysis**

12. The Regulatory Quality Team at the Treasury has determined that the regulatory decisions sought in this paper are exempt from the requirement to provide a Regulatory Impact Assessment as they have no or minor impacts on businesses, individuals or not for profit entities.

## **Publicity**

13. The new Order in Council will be published in the New Zealand Gazette and on Inland Revenue's website. Inland Revenue will also publish an article about these changes in its Tax Information Bulletin.

## Proactive Release

14. I propose to release this Cabinet paper, and associated Order in Council, in full shortly following the publication of the signed Order in Council in the New Zealand Gazette.

## Consultation

15. The Treasury has been informed in the preparation of this paper and the Parliamentary Counsel Office have been consulted in the preparation of this paper.

## Recommendations

The Minister of Revenue recommends that the Cabinet Legislation Committee:

1. **agree** that Inland Revenue should issue refunds of excess financial support and student loan deductions be made by direct credit, unless that would result in undue hardship or is not practicable;
2. **note** that the Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020 will give effect to the decision referred to in paragraph 1 above;
3. **authorise** the submission to the Executive Council of the Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020.

Authorised for lodgement

Hon Stuart Nash  
Minister of Revenue





# Cabinet Legislation Committee

## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020

**Portfolio**                      **Revenue**

On 3 March 2020, the Cabinet Legislation Committee:

- 1        **noted** that Section 184A of the Tax Administration Act 1994 provides for the phased implementation of compulsory direct crediting of tax refunds through Orders in Council for the various tax types;
- 2        **agreed** that Inland Revenue issue refunds of excess financial support and student loan deductions be made by direct credit, unless that would result in undue hardship or is not practicable;
- 3        **noted** that the Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020 give effect to the decision referred to in paragraph 2;
- 4        **authorised** the submission to the Executive Council of the Tax Administration (Direct Credit of Refunds of Excess Financial Support and Student Loan Payments) Order 2020 [PCO 22552/4.0];
- 5        **noted** that the Order will come into force on 9 April 2020.

Gerrard Carter  
Committee Secretary

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**Present:**

Rt Hon Winston Peters  
Hon Chris Hipkins (Chair)  
Hon Andrew Little  
Hon Stuart Nash  
Hon Tracey Martin  
Hon Julie Anne Genter  
Hon Eugenie Sage  
Michael Wood MP (Senior Government Whip)

**Officials present from:**

Office of the Prime Minister  
Officials Committee for LEG

**Hard-copy distribution:**

Minister of Revenue