



POLICY AND STRATEGY

Business Transformation Stage 4: refunding of tax types by direct credit

Date:	26 January 2021	Priority:	Low
Security level:	In Confidence	Report number:	[IR2021/017]

Action sought

	Action sought	Deadline
Parliamentary Under-Secretary to the Minister of Revenue	Agree to recommendations	11 February 2021

Contact for telephone discussion (if required)

Name	Position	Telephone
Mike Nutsford	Policy Lead	s 9(2)(a)
Aftab Jahan	Senior Policy Advisor	

26 January 2021

Parliamentary Under-Secretary to the Minister of Revenue

Business Transformation Stage 4: refunding of tax types by direct credit

Purpose

1. This report seeks your agreement to implement compulsory direct crediting of refunds of unclaimed money, casino duty, lottery duty, and totalisator duty to a bank account nominated by a taxpayer. These tax types are moving to START,¹ Inland Revenue's software platform, as part of Business Transformation Stage 4.

Background

2. This proposal can be implemented through an Order in Council. There is an existing legislative framework in the *Tax Administration Act 1994* ("TAA") which provides for progressive implementation of compulsory direct crediting for tax types that Inland Revenue administers. This framework was enacted with effect from 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 also benefits from reduced administration costs.
3. Progressive implementation of compulsory direct crediting of refunds for the various tax types through Orders in Council allows Inland Revenue the necessary flexibility to determine the dates, in terms of system readiness, for implementing direct crediting. This approach gives taxpayers more time to provide Inland Revenue with up-to-date bank account details and (for taxpayers with complex business activities) to plan and adapt their processes.
4. The Commissioner of Inland Revenue would eventually be required to direct credit all refunds into taxpayers' bank accounts.
5. The meaning of "tax" for the purpose of direct crediting of refunds is not limited to income tax. It extends to other products Inland Revenue administers. Compulsory direct crediting of refunds already applies to donation tax credits, goods and services tax, and student loan deductions as part of moving the administration of these tax types to START.
6. Unclaimed money, casino duty, lottery duty, and totalisator duty are considered tax types for the purpose of making refunds. A refund of a duty or interest paid in error or in excess can be made by direct credit in accordance with the requirements of section 184A of the TAA.
7. Officials recommend making the following tax types refundable by direct credit under section 184A of the TAA:
 - 7.1 unclaimed money;
 - 7.2 casino duty;
 - 7.3 lottery duty; and
 - 7.4 totalisator duty.

¹ Simplified Tax and Revenue Technology

In Confidence

8. The administration of the above tax types will be moved to the START system from March 2021 as part of Business Transformation Stage 4, and direct crediting of refunds should therefore apply 28-days after an Order in Council is issued in this regard.

Implementation

9. Where refunds are required to be direct credited, an exemption will be available for taxpayers who would experience undue hardship or for circumstances where it is impracticable to refund through direct credit.
10. The proposed changes will have no fiscal impact. Any administrative costs of implementing the proposed change will be accommodated within the Business Transformation programme funding.

Consultation

11. Treasury has been informed of the contents of this report.

Next steps

12. If you agree, we will invite the Parliamentary Council Office to draft an Order in Council to implement direct crediting under section 184A of the TAA for unclaimed money, casino duty, lottery duty, and totalisator duty.
13. If you agree with the recommendations in this report, officials will provide you and the Minister of Revenue a draft Cabinet Legislation Committee paper and draft regulations by 18 February 2021 so that the direct crediting of refunds of unclaimed money, casino duty, lottery duty, and totalisator duty can commence 28 days after gazetting. Our tentative timeline for the making of the Order in Council follows.

Actions	Date
Draft Cabinet Legislation Committee paper with draft Order in Council seeking approval for lodgement	18 February 2021
Lodgement of cabinet paper with Cabinet Office	4 March 2021
Cabinet Legislation Committee meeting	11 March 2021
Cabinet approval and Executive Council	15 March 2021
Gazette date	18 March 2021
Coming-into-force date	15 April 2021

Recommended action

We recommend that you:

14. **agree** that Inland Revenue should issue refunds of unclaimed money, casino duty, lottery duty, and totalisator duty by direct credit, unless this would result in undue hardship or is not practicable; and

Agreed/Not agreed

15. **direct** Parliamentary Counsel Office to draft an Order in Council giving effect to the above recommendation.

Agreed/Not agreed

Mike Nutsford

Policy Lead – Tax Administration
Policy and Strategy

Dr Deborah Russell

Parliamentary Under-Secretary to the Minister of Revenue
/ /2021