Inland Revenue
Te Tari Taake

Regulatory Analysis Summary: Clarifying authority for automated decision-making

Decision sought	Final Cabinet policy decisions to introduce clarifying legislation within the Tax Administration Act for the use of automated decision-making in the administration of the tax system.
Agency responsible	Inland Revenue
Portfolio Minister(s)	Hon Simon Watts, Minister of Revenue
Date finalised	3 August 2026
Ministry for Regulation ID number	REG-2334

Brief description of the Minister's regulatory proposal (preferred option)
Introduce a broadly framed prospective legislative provision clarifying that the Commissioner of Inland Revenue (the Commissioner) may use automated decision-making (ADM). The preferred option also includes a requirement that the Commissioner develop, in consultation with the Office of the Privacy Commissioner and the Human Rights Commission, appropriate safeguards for the use of ADM by Inland Revenue. These provisions would be implemented within the Tax Administration Act 1994.

Summary of the problem definition
Inland Revenue currently uses ADM for some processes that contain discretionary decisions.

s 9(2)(h) [redacted]

The Government has made it a priority to look for greater efficiencies from the public service, and this includes greater use of automated systems.

Accordingly, Inland Revenue is considering how automated decision-making (the use of technology, such as rules-based systems or algorithms to make or support decisions with limited or no human involvement) could be used to achieve the Government's objective. Any use of automated decision-making would need to be limited to areas in which clear, rules-based decisions can be made.

Administrative law principles (the legal rules and standards that govern how public bodies and government officials exercise their powers and make decisions) suggest ADM should only be used if there are express rules that allow it, so Inland Revenue requires clarity that it has the ability to use ADM more widely in future.

Summary of options considered for addressing the problem **Option One (status quo):** Introduce no legislative change and, on a case-by-case basis, consider implementing a human element when practicable or when there is uncertainty about Inland Revenue's current use of ADM. **Option Two (preferred):** Introduce a broadly framed prospective legislative provision clarifying that the Commissioner may use ADM. The provision would authorise an automated electronic system to make a decision by analysing information held by Inland Revenue about a person and applying rules predetermined by the Commissioner. Alongside this provision, there should be requirements that: o Inland Revenue develop ADM safeguards for operational use o the Office of the Privacy Commissioner and the Human Rights Commission are consulted with in the approval of these safeguards o the safeguards are based on specific principles[1] and these principles are explicitly named in legislation o the safeguards are reviewed at least every three years, and o the safeguards ae published on the Inland Revenue website. Inland Revenue's safeguards should be modelled on the ADM standard and legislative safeguards in the Social Security Act 2018. The consistency with the ADM provisions in the Social Security Act would help mitigate public concern about Inland Revenue's use of ADM. **Option Three**: Introduce a targeted legislative provision that would only authorise the use of ADM in some circumstances.
Is the Minister's preferred option in the Cabinet paper the same as the preferred option in the RAS? Yes
Summary of the main benefits of the Minister's preferred option A broadly framed legislative provision would enable appropriate, extended future use of ADM to achieve the efficiencies sought by the Government. The main benefits of extended use of ADM are: o improved service to customers by ensuring fast, consistent decision-making and the ability to interact with the taxation system outside standard business hours, and o for Inland Revenue, the ability to automate high volume tasks that involve clear rules-based decision-making thereby reducing administrative costs and improving the speed and consistency of decision-making. A broadly framed provision would also provide certainty for Inland Revenue's current use of ADM removing the need to potentially add a human touch into these processes.

[1] Improve efficiency and effectiveness of decision-making; accuracy and reliability; neutrality and non-discrimination; legal, privacy, and policy considerations; transparency and accountability, human oversight, compliance and assurance.

Summary of the main costs of the Minister's preferred option There would be no initial costs associated with the Minister's preferred option because, in the first instance, it would simply clarify Inland Revenue's authority to use ADM in its current operational practices. If ADM is used more widely in future there would be one-off costs as manual processes are transitioned to automated ones. This is expected to be more than offset by the longer-term efficiency gains of using ADM.
Does the RAS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs? Yes. While any costs are expected to be one-off, the benefits of ADM would be ongoing.
Have any potential inconsistencies with the principles of responsible regulation in the Regulatory Standards Act been identified in relation to the Minister's preferred option? No potential inconsistencies have been identified with the principles of responsible regulation in the Regulatory Standards Act 2025. The preferred option is considered consistent with those principles because it provides clear legislative authority for Inland Revenue's use of ADM, reduces legal uncertainty, and includes a requirement for safeguards to manage risks such as bias, discrimination, transparency, monitoring, and access to human involvement when appropriate.

Limitations and constraints on analysis			
Condensed timeframes	Yes	Constrained option set	Yes
Legislative constraints	No	Data and evidence gaps	Yes
Ministerial direction	No	Other	No
Limited public consultation	Yes		

Summary of limitations and constraints on analysis This proposal did not include analysis of the use of artificial intelligence (AI) in ADM[2]. Inland Revenue's use of ADM would be limited to high volume, clear rules-based decisions, and not used in situations when complex judgements are required to be made. Humans, rather than AI, will be responsible for setting the rules for any ADM system to use. The analysis did not deal with any human resources considerations of ADM use. There were also constraints on analysis due to the need to meet legislative deadlines to be included in the introduction of the 2026–27 Annual Rates Bill. The constrained timeframes also meant that public consultation could not be undertaken. However, targeted external consultation was carried out. The analysis relies on available operational experience and policy analysis. Potential impacts have not been quantified because it is not yet known which tasks ADM may be used for in future.

[2] ADM and AI are distinct concepts. ADM involves a system of business rules that stay in place until the rules are changed by way of human intervention. AI describes systems that are self-learning and have a level of autonomy.

What are the implications of these limitations and constraints, and what has been done – or will be done – to mitigate and manage them?

These limitations mean some impacts cannot be fully quantified and there is less direct evidence as to how the public may respond to the proposals.

This has been managed by drawing on Inland Revenue's operational and Policy experience, research on similar proposals in New Zealand, and two rounds of targeted consultation with relevant organisations. The proposal also mitigates these constraints by including a requirement that Inland Revenue develop safeguards for the use of ADM and by ensuring that the proposal follows the full legislative process, which allows public comment during the select committee stage.

I am satisfied that, given the available evidence, this RAS represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager's signature:
Carolyn Elliott
Policy Lead

s 9(2)(a)

3 August 2026

Quality Assurance Statement	
Reviewing Agency: Inland Revenue	**QA rating:** Partially meets

Panel Comment:

The quality assurance panel from Inland Revenue has reviewed the Regulatory Analysis Summary (RAS) Clarifying authority for automated decision-making prepared by Inland Revenue and associated supporting material on 3 August 2026.

The panel considers that the information and analysis summarised in the RAS **partially meets** the quality assurance criteria.

The panel considers that the RAS provides a clear description of the policy issue and the proposed intervention. Some aspects of the analysis would benefit from further development and additional supporting evidence to make the case for change more convincing. In particular, the panel considers that additional evidence is required to support the cost-benefit analysis to fully demonstrate that the preferred approach is robust and proportionate. The information set is currently limited to a few instances where automated decision-making is currently applied and does not fully explain the implications for the future state if automated decision-making is deployed more broadly. Subject to these improvements, the RAS would provide a stronger basis for decision-making and would better meet the quality assurance criteria.

Section 1: Diagnosing the policy problem

What is the policy problem?

1. Leveraging technology to deliver modern services at scale is a government-wide issue. Government and customer needs, and expectations about how public services are delivered continue to change. There is an increasing use of electronic systems across government agencies to automate processes and functions, including some decision-making functions.
2. ADM is the use of technology, such as rules-based systems or algorithms to make or support decisions with limited or no human involvement. The use of ADM, when appropriate and when used with relevant safeguards, creates operational efficiency through the ability to automatically process large volumes of routine administrative tasks (such as processing tax returns). This can free up staff time and enable them to instead focus on higher-value, more complex tasks.
3. In some situations, Inland Revenue already uses a fully or almost fully automated system to make decisions. Using ADM allows these decisions to be made efficiently and consistently, assists taxpayer compliance, and improves customer service.
   - Assessments: In 2026 Inland Revenue issued 3.5 million tax assessments using ADM.
   - Pre-approved instalment offers to taxpayers with debt: From June 2025 to July 2026 Inland Revenue also issued 129,000 pre-approved instalment offers to taxpayers with debt.
   - Extensions of time for filing income tax returns: During the past 12 months, Inland Revenue also used ADM to automatically accept 6,304 and decline 20 requests for extensions of time for filing income tax returns.
4. Inland Revenue also intends to expand its use of ADM in the future in areas where risks to Inland Revenue and customers are considered to be low. Expanding the use of ADM contributes to the efficient and effective administration of the tax system, provides improved service for customers, and enables Inland Revenue to better target its workforce to more complex tasks.
5. Clear legislative authority for Inland Revenue's use of ADM is currently limited to the making of assessments and determinations.[3] Inland Revenue requires legislative clarity that it has the authority to use ADM in the other processes where it is currently applied. Without that clarity Inland Revenue may have to consider adding a human decision-making element to those processes, which would greatly reduce their efficiency.
6. Inland Revenue also needs clarity that it can expand its use of ADM in future, when appropriate. This will ensure that Inland Revenue can operate as efficiently as possible and is consistent with the statutory duty of the Commissioner to collect over time the highest net revenue that is practicable within the law having regard to the resources available to the Commissioner.

[3] Section 105 Tax Administration Act.

7. s 9(2)(h) [redacted]

8. s 9(2)(h) [redacted]

What objectives are sought in relation to the policy problem?

9. The first objective is to provide legal certainty to allow Inland Revenue to widen its use of ADM in future when appropriate processes are identified, and risks to Inland Revenue and the customer are low. This would allow the benefits of ADM to be increasingly realised.

10. The second objective is to clarify that Inland Revenue has authority to use ADM, when appropriate, in its current operational processes.

What external consultation has been undertaken?

11. Two rounds of consultation were carried out, the first on the proposal to introduce a broadly framed ADM enabling provision and a non-legislative requirement for Inland Revenue to develop ADM safeguards, and the second principally regarding draft ADM safeguards. The Initial consultation was with eleven selected government agencies[4] and the second included six targeted external organisations.[5] Feedback was received via email and in meetings with the five organisations[6] who requested this.

First round of consultation

12. Feedback varied on whether a broadly framed provision was appropriate, with some agencies preferring a more targeted approach. The Office of the Privacy Commissioner (OPC) preferred a more targeted approach, arguing this would enable a case-by-case assessment of benefits, risks, and social licence of the policy case for each use of ADM. OPC also preferred that the legislation include a requirement to develop ADM safeguards, as did Crown Law and the population agencies. In principle, concerns were also raised that increased use of ADM could disproportionately affect marginalised and under-represented communities.

13. Following feedback from the initial consultation, the preferred option and the advice to the Minister was amended to add a recommendation that if legislation was enacted, that it should include a requirement for Inland Revenue to develop ADM safeguards.[7]

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[4] The Treasury, Law Commission, Ministry for Regulation, Ministry of Justice, Office of the Privacy Commissioner, Crown Law, Ministry of Social Development, population agencies (Te Puni Kokiri, Ministry for Ethnic Communities, Ministry for Women, Ministry of Disabled People).

[5] New Zealand Law Society, Law Commission, Community Law, Māori Reference Group, Māori Law Society, Human Rights Commission.

[6] Māori Reference Group, Crown Law, Office of the Privacy Commissioner, Law Commission, Ministry for Ethnic Communities.

[7] The safeguards are discussed in detail in paragraphs 28 and 50 of this RAS.

Second round of consultation

14. Following Ministerial approval, targeted consultation on draft ADM safeguards was carried out with the original agencies that had expressed interest in being consulted further, and six external organisations.
15. At a high level, feedback generally supported both the need for safeguards and Inland Revenue's decision to base them on the Ministry of Social Development's ADM Standard, promoting consistency across government. Common themes for improvements to the safeguards included the need to:
    - introduce more frequent and stronger monitoring and review practices
    - provide explicit recognition of the potential impacts on marginalised groups
    - provide greater clarity and practical examples of how ADM would operate in practice.
16. The OPC recommended that explicit legislative safeguards to address specific topics were essential if a broad ADM power was introduced, and that this would further align Inland Revenue's approach with the Ministry of Social Development. This recommendation has been reflected in the preferred option.
17. The OPC also recommended that Inland Revenue include in legislation a requirement for Inland Revenue to approve the safeguards in consultation with the Privacy Commissioner, the Human Rights Commissioner and any other person Inland Revenue considers appropriate, review the safeguards every 3 years, and publish the safeguards. These recommendations have also been reflected in the preferred option.
18. The organisations consulted with provided detailed feedback on each of the draft safeguards, and this will be considered and implemented if appropriate, by Inland Revenue as the legislative process progresses.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options with the status quo?

19. To compare the options to the status quo, this RAS considers whether the option:
    - improves the efficiency and effectiveness of Inland Revenue's administration of the tax system
    - improves service delivery for customers
    - clarifies Inland Revenue's authority to use ADM thereby allowing certainty for current activities and future planning
    - is consistent with the approach to ADM across government
    - provides safeguards for the use of ADM ensuring that customers' rights are protected and potential risks mitigated.

What scope will options be considered within?

20. The scope of the feasible options has not been limited by Ministers' commissioning or previous policy decisions and is not limited to regulatory options only because the problem could be partially resolved by non-regulatory means.

What options are being considered?

Option One – Status quo

21. The first option is to introduce no legislative change and instead consider implementing a human element where practicable, or when there is least certainty about Inland Revenue's current use of ADM.
22. Inland Revenue is currently using ADM in the exercise of some of the Commissioner's discretionary powers. One example of this, the making of assessments and determinations, is expressly authorised by section 105 of the Tax Administration Act. Other current uses of ADM, such as approving requests for extensions of time and making pre-approved instalment arrangement offers, do not have a clear legislative authority.
23. Maintaining the status quo would require Inland Revenue to consider the practicality of introducing a human element into its current use of ADM for which there is no clear authority. This would greatly reduce the efficiency of those processes. It would also limit the ability for Inland Revenue to expand its use of ADM in the future.

Option Two (preferred) – Broadly framed ADM enabling provision

24. The preferred option is to introduce a broadly framed legislative provision to clarify that Inland Revenue has authority to use ADM. This would clearly authorise Inland Revenue's current use of ADM and that ADM use could be expanded. The provision would enable Inland Revenue to consider using ADM in any high-volume process[8] when clear rules-based decisions can be made. ADM would not be used in situations when complex judgements are required to be made, and humans, rather than AI, would be responsible for setting the rules for any ADM system to use.
25. Expanded use of ADM would improve consistency, operational efficiency, and customer service, in line with Government expectations that departments make greater use of technology to achieve efficiencies.
26. A broadly framed ADM provision would be aligned with the approach to ADM in the Social Security Act 2018 and the Biosecurity Act 1993. Tax authorities in jurisdictions such as the United Kingdom and Canada also have broad legislative authority to use ADM.
27. Along with the broadly framed provision, the legislation should be modelled on the ADM standard and legislative safeguards in the Social Security Act, containing requirements that:
    - Inland Revenue develop ADM safeguards for operational use

[8] In all the tax and social policy areas that Inland Revenue is responsible for.

- the Office of the Privacy Commissioner and the Human Rights Commission are consulted with in the approval of these safeguards
- the safeguards include specific principles and that these principles are explicitly named in legislation
- the safeguards are reviewed at least every three years, and
- the safeguards are published on the Inland Revenue website.

28. The ADM safeguards contain seven key principles intended to act as a standard that Inland Revenue uses when considering, implementing, and maintaining the use of ADM in its processes. It is essential to uphold a standard of use for ADM, allowing the ability to realise its benefits and manage the potential risks associated with its use. The principles have been modelled on the Ministry of Social Development's ADM Standard, consider the existing Public Service AI Framework, and apply learnings from the Australian Royal Commission into the Robodebt[9] scheme. The seven ADM principles are:
    - Improve efficiency and effectiveness of decision-making. Must be balanced against factors such as cost, operational changes required, and the impact of the decision on those affected before ADM is implemented.
    - Accuracy and reliability. Must be assessed before ADM is implemented to ensure that it produces expected results at all times.
    - Neutrality and non-discrimination. Must be assessed before ADM is implemented.
    - Legal, privacy, and policy considerations. ADM use must uphold the integrity of the tax system and comply with the laws and requirements set out within the Tax Administration Act and Privacy Act 2020.
    - Transparency and accountability. Must ensure accessible points of contact for customers and provide accountability measures before ADM is implemented.
    - Human oversight. ADM is limited to systems that make or implement decisions automatically following fixed logic and must not extend to systems involving learning or predicting, etc (such as generative AI).
    - Compliance and assurance. Regular monitoring and compliance must be carried out to ensure applications of ADM continues to meet the requirements of these safeguards.
29. The safeguards, along with the consistency with the ADM provisions in the Social Security Act will help mitigate public concern about Inland Revenue's use of ADM, by reassuring the public that there are limitations to the situations in which Inland Revenue can use ADM and that the Government is taking a consistent approach to the use of ADM. Existing customer rights in regard to challenging or disputing any decision made by Inland Revenue would also not be affected by any decision made by ADM.

[9] The Australian Royal Commission was established in August 2022 in response to public criticism of a robodebt scheme and it reported in July 2023. The robodebt scheme was designed in 2015 to recover overpayments from welfare recipients from 2011 through to 2019. The scheme was underpinned by ADM and a data-matching program involving the Australian Taxation Office and the Department of Human Services.

Option Three – Targeted ADM enabling provision

30. The third option is to introduce a targeted legislative provision that would only authorise the use of ADM in some circumstances. Although this would provide certainty for Inland Revenue's current use of ADM, it is not preferred because it would not provide flexibility for broader future use of ADM. This would mean that any additional proposed use of ADM by Inland Revenue in the future would require further legislative change and would reduce the benefits able to be achieved.

All proposed options take international learnings into account

31. Findings from the Australian Robodebt scheme have been considered throughout the process and the options proposed all have elements that help mitigate this risk. The preferred option has the most robust mitigation framework in place by requiring ADM safeguards to be developed in consultation with the Office of the Privacy Commissioner and Human Rights Commission, named in legislation, and published so that they are accessible to the public. The proposed safeguards would further mitigate the risk by:
    - limiting the use of ADM to decisions that are clear rules-based decisions, not using it in situations when complex judgements are required to be made, and
    - ensuring humans would be responsible for setting the rules for any ADM system to use, rather than AI setting the rules or making the decisions.
32. Targeted consultation on the draft safeguards has been undertaken with both agencies and select external groups that have previously displayed interest in the use of ADM by government. Feedback has been considered and will be used to continue development of the safeguards. Discussion on the implementation of the safeguards can be found in paragraph 50.
33. The legislative and operational safeguards will work together with Inland Revenue's existing experience using ADM to prevent a situation occurring whereby ADM could be used to make decisions requiring complex judgment, and that could significantly impact the public.

How do the options compare with the status quo/counterfactual?

	Option One – Status quo/counterfactual	Option Two – Broadly framed ADM enabling provision (preferred option)	Option Three - Targeted ADM enabling provision
Effectiveness*	0	++	+
Efficiency*	0	++	+
Proportionality*	0	+	++
Legal risk reduction	0	++	+
Overall assessment	0	++	+

Key for qualitative judgements

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
- -	much worse than doing nothing/the status quo/counterfactual

Section 3: Cost-benefit analysis

What are the additional costs and benefits of the preferred option in the Cabinet paper?

34. The introduction of a broadly framed legislative provision to clarify that the Commissioner has legislative authority to use ADM would have no additional costs in the short term because it would simply clarify that Inland Revenue can continue with its current operational processes using ADM. Any expanded use of ADM may incur some costs in re-designing processes to incorporate it. However, these would only be implemented if the longer-term benefits of doing so outweighed the initial establishment costs.

35. There are two benefits of the preferred option. The first is that it would provide certainty about Inland Revenue's current use of ADM. This would allow current practices to continue, enabling Inland Revenue to approve extension-of-time requests and make pre-approved instalment arrangement offers as efficiently as possible. For customers involved in those processes this would mean they could continue to engage with the tax system at a time and place that is preferable to them rather than needing to engage with Inland Revenue staff during standard hours.

36. The second benefit of the preferred option is to allow Inland Revenue to consider where it may be appropriate to expand ADM use in the future. If ADM is used in more operational processes this will deliver benefits in terms of:

- Reduced administrative costs. Automation reduces the need for manual processing of routine tasks, allowing organisations to handle larger workloads without proportionally increasing staff resources. Automating routine operational tasks can also free up staff to concentrate on higher-value, more complex tasks.
- Greater speed and efficiency. Using ADM means decisions can be made almost instantly, greatly reducing processing times.
- More consistent decision-making. Similar cases are treated according to the same rules, reducing variation that can arise when different staff members make decisions. This can improve fairness and predictability for customers.
- Improved accuracy. ADM can reduce human errors such as calculation mistakes, data-entry errors, or inconsistent application of rules.
- Improved service delivery. Customers receive faster responses and greater certainty about outcomes because decisions are made more quickly and consistently.

37. The level of the benefits realised from ADM will depend upon how widely it is used. Transitioning different tasks or processes to ADM will deliver varying levels of benefit that will depend on the volume of each task and the amount of human effort currently required. It is therefore not possible at this stage to quantify the benefits of ADM.

Table 1: Cost-benefit analysis

Nature of benefit/cost to New Zealand	Dollar value of impact (or quantified impact)	Scale of unquantifiable impact	Nature of impact – one-off or ongoing	Source of evidence
Additional benefits of preferred option compared with taking no action				
Reduced administrative costs	Unquantified but positive	Expected to be materially positive, however this is dependent on which tasks are transitioned to ADM.	Ongoing	Policy analysis and Inland Revenue operational experience.
Greater speed and efficiency	Unquantified but positive	Expected to be materially positive, however this is dependent on which tasks are transitioned to ADM.	Ongoing	Policy analysis and Inland Revenue operational experience.
More consistent decision-making	Unquantified but positive	Dependent on which tasks are transitioned to ADM.	Ongoing	Policy analysis and Inland Revenue operational experience.
Improved accuracy	Unquantified but positive	Dependent on which tasks are transitioned to ADM.	Ongoing	Policy analysis and Inland Revenue operational experience.
Improved service delivery	Unquantified but positive	Expected to be materially positive, however this is dependent on which tasks are transitioned to ADM.	Ongoing	Policy analysis and Inland Revenue operational experience.
Total annual benefits	Unquantified but positive	Expected to be materially positive, however this is dependent on which tasks are transitioned to ADM.[10]		
Total one-off benefits	Unquantified			
Additional costs of preferred option compared with taking no action				

[10] Based on information contained in the Ministry of Social Development's RIS "Automated Decision-Making in the Welfare System".

Implementation costs	Unquantified	Low. Each task transitioned to ADM will have a one-off implementation cost, which is expected to be low.	One-off	Policy analysis and Inland Revenue operational experience.
Ongoing administrative costs	n/a	n/a	n/a	
Total annual costs	n/a	n/a	n/a	
Total one-off costs				
Net impacts compared with taking no action				
Total annual benefits minus costs	Unquantified	Expected to be positive overall. Ongoing benefits are expected to outweigh low initial implementation costs.	Ongoing	Overall cost-benefit assessment.
Total one-off benefits minus costs	n/a	Expected to be slightly negative or neutral. One-off implementation costs are expected to be low and met within existing baselines.	One-off	Overall cost-benefit assessment.

Are the benefits of the preferred option in the Cabinet paper expected to exceed the costs?

38. The benefits of the preferred option in the Cabinet paper are expected to exceed the costs. Although the benefits have not been monetised, the preferred option is expected to provide ongoing benefits by allowing Inland Revenue to expand its use of ADM thereby realising operational efficiencies and improved service delivery for customers. The costs are expected to be relatively low, one-off, and limited to implementation costs. Overall, the preferred option is expected to deliver positive net benefits compared with the status quo and the other option.

What are the impacts on different groups of the preferred option compared with taking no action?

39. Inland Revenue notes that customers can be members of multiple population groups. The proposals in this RAS will not be targeted to any specific population groups meaning it is difficult to predict how many customers may be impacted within each group. While the use of ADM can help administer rules-based decision-making efficiently, it is difficult to separate the impact of the use of ADM as a tool from the impact of the rules themselves, which ADM helps to implement.
40. There will be a requirement in the ADM safeguards that Inland Revenue ensure that a decision made by ADM is transparently communicated to customers in a way that is easy to understand and clearly shows the outcome of that decision. A visible and accessible point of contact for public inquiries about decisions made will also be in place, along with a visible and accessible channel for challenging or appealing those decisions.
41. Through consultation it was identified that there may be risks for under-represented communities when standardised processes do not adequately account for non-standard or complex situations. To mitigate the impacts of ADM on these communities it was recommended that legislation include a requirement to develop ADM safeguards, and that these safeguards need to be developed via consultation. It was also recommended that within the safeguards, there should be a broader consideration of neutrality and non-discrimination toward disadvantaged or marginalised groups, applied by requiring the safeguards to explicitly name more of the groups to be considered (for example, women, LGBTQ+, disabled people, etc). This would be implemented into the safeguards as they continue to be developed.
42. Using ADM to make a decision does not change any rights that a customer has to challenge or dispute that decsion.

Table 2: Distributional analysis

Affected groups	How they are affected	Description of level of impact(s)	Source of evidence
Māori	Impact should be the same as the status quo/counterfactual	While the proposals in this RAS will not be targeted to Māori, Inland Revenue's overall use of ADM, if not implemented appropriately, may have a greater impact on Māori depending on which tasks are automated. However, when implemented with appropriate safeguards, the use of ADM is expected to improve the experience and accessibility of services in the tax system, including for Māori. The proposal requires the development of ADM safeguards to include consideration, management, and mitigation of bias and discrimination.	Policy analysis, Inland Revenue operational experience and targeted consultation.
Women	Impact should be the same as the status quo/counterfactual	While the proposals in this RAS will not be targeted to women, Inland Revenue's overall use of ADM, if not implemented appropriately, may have a greater impact on women depending on which tasks are automated. However, when implemented with appropriate safeguards, the use of ADM is expected to improve the experience and accessibility of services in the tax system, including for women. The proposal requires the development of ADM safeguards to include consideration, management, and mitigation of bias and discrimination.	Policy analysis, Inland Revenue operational experience and targeted consultation.
Disabled	Impact should be the same as the status quo/counterfactual	While the proposals in this RAS will not be targeted to disabled people, Inland Revenue's overall use of ADM, if not implemented appropriately, may have a greater impact on disabled people depending on which tasks are automated.	Policy analysis, Inland Revenue operational experience and targeted consultation.

		However, when implemented with appropriate safeguards, the use of ADM is expected to improve the experience and accessibility of services in the tax system, including for disabled people. The proposal requires the development of ADM safeguards to include consideration, management, and mitigation of bias and discrimination. Those safeguards will require Inland Revenue to provide effective communication channels (including for disabled people) through which people can challenge decisions made by ADM.	
Ethnic communities	Impact should be the same as the status quo/counterfactual	While the proposals in this RAS will not be targeted to people from ethnic communities, Inland Revenue's overall use of ADM, if not implemented appropriately, may have a greater impact on ethnic communities depending on which tasks are automated. However, when implemented with appropriate safeguards, the use of ADM is expected to improve the experience and accessibility of services in the tax system, including for members of ethnic communities. The proposal requires the development of ADM safeguards to include consideration, management, and mitigation of bias and discrimination.	Policy analysis, Inland Revenue operational experience and targeted consultation.

Conclusion

Which option is the most effective, efficient, and proportionate response to the problem?

43. The most effective, efficient, and proportionate response to the problem is to implement the preferred option, a broadly framed prospective legislative provision clarifying that the Commissioner may use ADM. When compared to the other options (including the status quo), it is the only one that provides clarity that Inland Revenue has authority to use ADM in its current processes without the need for manual intervention, and provides certainty that, when appropriate, Inland Revenue can widen its use of ADM in future without needing to have new legislation implemented each time.
44. Option Three, a targeted ADM provision, would not allow Inland Revenue to expand its use of ADM in future without having to make further legislative changes.
45. The status quo is not preferred because it would require Inland Revenue to consider the practicality of introducing a human element into its current use of ADM, greatly reducing operational efficiency and also limiting the ability for Inland Revenue to expand its use of ADM in future.
46. Overall, Option Two best balances effectiveness, efficiency, and proportionality. It is preferred because it allows Inland Revenue to widen its use of ADM in future, when appropriate, and it provides certainty that Inland Revenue has authority for its current ADM use. It is the preferred option in both the Cabinet paper and this RAS.

Section 4: Delivering an option

What are the next steps for implementing the legislation?

47. Subject to Cabinet agreement, the legislative amendment would be progressed through the 2026–27 Annual Rates Bill. Inland Revenue's drafting team will work to draft the amendment to the Tax Administration Act. This will include further public consultation on the legislative provision at the select committee stage.
48. Inland Revenue would be responsible for implementing the amendment. Implementation would involve finalising, publishing, and operationalising the ADM safeguards and then considering what operational processes may be appropriate for ADM.
49. When ADM use is expanded, it would need to be done in a way that complies with the ADM safeguards and staff instructions would need to be amended to reflect new processes.

How will the proposal be monitored, evaluated, and reviewed?

50. Inland Revenue will monitor the proposal using the ADM safeguards that are required to be developed and implemented as part of the legislative process. The key principles of the safeguards will be named in legislation and once they have been finalised, will be published on the Inland Revenue website for transparency with the public. Inland Revenue will not

expand the use of ADM until the safeguards are finalised and published. This is to communicate certainty that the safeguards and their application are being taken seriously by Inland Revenue. The safeguards must be reviewed at least every three years to ensure they are still fit for purpose as technology, public perception, and expectations shift.

51. The safeguards include a principle that requires compliance and assurance through regular monitoring, proportionate to the risks involved with each application of ADM. Monitoring will include ensuring the ADM continues to produce consistent results and to ensure neutrality and non-discrimination are considered throughout the process. This should include consideration on whether ADM processes are producing disproportionate, unexpected or inequitable outcomes for different groups such as Māori, when this can be assessed appropriately.

52. If regular monitoring identifies issues, these issues must either be corrected as soon as practicable or addressed through incorporating human involvement into the process (meaning it would no longer be an automated decision). Corrections should not be limited to ADM processes, but include changes to the underlying data, operational guidance, human review settings or the level of assurance applied.

53. Inland Revenue will perform a compliance review at least once every three years or more frequently (based on the nature and level of risk connected to the process) to ensure that any ADM approved under the safeguards continues to comply with the requirements of the safeguards. This will include periodic reviews of the criteria used by ADM, to ensure they are still producing decisions that are lawful, consistent, and appropriate.