

Hon Simon Watts, Minister of Revenue

IR use of AI – Information Release

March 2026

List of documents included in this proactive release

#	Reference	Type	Title	Date
01	IR2025/068	Report	Update on Inland Revenue's use of Artificial Intelligence	26/02/2025
02	IR2025/229	Report	Update on Inland Revenue's use of Artificial Intelligence	09/05/2025
03	IR2025/365	Report	Update on Inland Revenue's use of Artificial Intelligence	27/08/2025
04	IR2025/442	Report	Update on Inland Revenue's use of Artificial Intelligence	05/12/2025

Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply are identified.

Where information is withheld, no public interest was identified that would outweigh the reasons for withholding it.

Sections of the Act under which information was withheld:

9(2)(a) to protect the privacy of natural persons, including deceased people

9(2)(b)(ii) to protect the commercial position of the person who supplied the information or who is the subject of the information

9(2)(g)(i) to maintain the effective conduct of public affairs through the free and frank expression of opinions

In Document 04, paragraph 20 has been withheld under section 9(2)(g)(i) of the OIA. However, consistent with section 17 of the OIA, the releasable information in the paragraph has been released in the form of a summary, provided under section 16(1)(e).

The rate of change in AI-based cyber threats is increasing, requiring frequent reviews of existing controls, updates to threat intelligence sources, and continuous staff upskilling. Ongoing evaluation and timely adoption of new security safeguards is a core priority to ensure resilience against evolving threats

Availability

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Inland Revenue report: Update on Inland Revenue's use of Artificial Intelligence

Date:	26 February 2025	Priority:	Low
Security level:	In confidence	Report number:	IR2025/068

Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of this report	NA

Contact for telephone discussion (if required)

Name	Position	Telephone
Brijesh John	Domain Lead, Strategic Architecture	9(2)(a)

26 February 2024

Minister of Revenue

Update on Inland Revenue's use of Artificial Intelligence

Purpose

1. This report:
 - 1.1. Provides an update on Inland Revenue's use of Artificial Intelligence and the approach we are taking.
 - 1.2. Our last note (BN2024/276) detailed the many uses of Artificial Intelligence in Inland Revenue, and this report provides an update on progress in this area.

Background

2. Inland Revenue's business transformation programme has left Inland Revenue with excellent digital capability and very good data across our broad customer base.
 - 2.1. The quality of our data is very good, complete and timely, enabling us to take advantage of AI to achieve further efficiencies and improve the customer experience.
 - 2.2. Inland Revenue is taking a benefit and business value centric approach to extending the use of AI, focussing on supporting decision making in the management of tax and social policy compliance risk, intervention design and increasing staff productivity.

Key Highlight (Jan-Feb '25) – Wider use of AI for Voice Channel

3. Inland Revenue recently completed a proof of concept using Genesys Cloud AI that creates summaries of calls between a customer and Inland Revenue.
 - 3.1. This AI solution utilises call transcripts and generates a summary of the key points from the interaction with the customer which, once checked for completeness and correctness, can be copied to the customer record in START. Note the AI generated summary is not retained.
 - 3.2. Our proof of concept demonstrated an average 17% decrease in after-call work time, no degradation in quality of notes, and positive sentiment from our people who trialled this feature.
 - 3.3. The Conversation Summarisation performed particularly well with our general voice calls where time efficiencies were seen. The more complex calls still saw a decrease in after-call work time, but to a lesser extent than our general queues.
 - 3.4. 97% of our staff found the technology easy to use following a 30-minute training session.
 - 3.5. The plan is to roll out the tool to our Customer and Compliance Services – Individuals (CCS-I) team and continue pilots with our other business areas to ensure there is value across other customer cohorts before further rollout.
 - 3.6. The Genesys tool continues to evolve, which is expected given the rapid pace of AI developments. A new version has just been released which includes new functionality at a higher licence cost. We will review the new version to ensure the changes have not altered the value proposition of the summarisation feature and to assess possible benefits from the new functionality.
 - 3.7. It is important we ensure we are not constrained by vendor lock-in and that we consider an appropriate cloud licensing model – in this case a month-by-month license which will insulate us in a rapidly evolving market.
4. Future proofs of concepts utilising other AI functions of the new version will test the real-time presentation of contextual knowledge to our people to help them assist customer queries.
 - 4.1. The expected benefits we're seeking to confirm are a reduction in talk-time with our customers and decreased training time for our people.

Proofs of Concept/Pilot initiatives

5. Inland Revenue is looking at the use of AI across its Digital Estate. A draft view is provided in Appendix 2 (pg. 8)
6. In addition to the use of AI in our voice channel, the following use cases are being evaluated and rolled out at Inland Revenue.

Initiative	Key findings and next steps
<p>Microsoft Copilot (Bing/Browser):</p> <p>AI-powered chat service (summarise large volumes of information, undertake research and proofread, edit and generate written content)</p>	<ul style="list-style-type: none"> • 90% of users reported improved work quality and 86% of users reported time savings. • Tool deployed across the enterprise to appropriate roles and business groups, in a staged approach, with training mandatory before access is available.
<p>AI test scenario generator tool</p> <p>AI-powered tool to create test plans and test scenarios</p>	<ul style="list-style-type: none"> • Evaluation is currently underway via Proof of Concept. • This is the first private Large Language Model (LLM) for Inland Revenue, built with open-source tools by our Testing partner. • Early indications have shown positive results against defined measurement criteria, and if successful, this use case has potential to save significant internal costs by reducing effort on test planning and test-scenario writing, while increasing team satisfaction and maintaining evaluation quality.
<p>Microsoft 365 Copilot:</p> <p>Copilot is integrated into the M365 suite of products (e.g. SharePoint, Word, Excel, Teams) and is designed to enhance staff productivity.</p>	<ul style="list-style-type: none"> • Proof of Concept is in progress with early findings showing productivity gains. CoPilot has also provided initial validation that our internal knowledge and content structure and the associated infrastructure is appropriate and of high quality. • Next steps: Ensure appropriate auditing capabilities can be implemented and look at wider use cases / rollout if found appropriate, cost efficient and effective
<p>Āwhina Mai Gen-AI assistant:</p> <p>We are evaluating the use of GenAI for delivering summarised information for customers using our website as part of the Āwhina Mai project</p>	<ul style="list-style-type: none"> • A Proof of Concept was conducted to test summarisation and tagging capabilities across content held in PDF and html format in our website. • While the AI capabilities are available, further work needs to be done to address the underlying content structure, so it is better able to be consumed by GenAI tools

AI Capability Uplift

7. Through the process of Inland Revenue establishing a structure and governance for AI, along with strategic considerations and a roadmap, 'People' were identified as the most crucial area for investment in our AI journey.
8. Leaders at Inland Revenue have engaged in AI Fluency training. The purpose of AI Fluency training is to give a suitable understanding of AI to those making decisions on its use.
 - 8.1. Inland Revenue's Executive Leadership Team participated in an AI Fluency workshop, specifically focused on governing a large organisation with a technology change happening so quickly.
 - 8.2. All staff have access to seven e-learning modules: Introduction to AI, Gen AI 101, Value Capture, Trust, Ethics & Governance, Prompt Training, Risks of AI and GenAI, Threats of AI, and Data & Information Management.
9. Inland Revenue is considering further updates to its AI literacy by including Agentic AI to its AI literacy programme.

OECD engagement

10. Inland Revenue prioritises international engagement on AI, specifically on international rules and norms. Inland Revenue is part of the OECD Cluster focused on using AI in this field. The OECD's Project D aims to enhance the trustworthy use of AI through international collaboration, developing a Trustworthy AI framework, and sharing best practices.
11. The project targets several impacts including reducing taxpayer burden, optimising internal operations, increasing AI trust, and prioritising AI investments. New Zealand supports these activities to understand AI deployment in different jurisdictions and utilise the generated assets.
12. Inland Revenue has written to OECD to express interest in continued involvement in the next phase, with a focus on learning and evaluating appropriate AI frameworks in the context of Tax Administration.

Public Sector and Government Chief Digital Officer (GCDO) engagement

13. Inland Revenue is working with the GCDO and sharing insights from its AI and digital journey through the Government AI Community of Practice.
14. Inland Revenue has shared relevant artefacts related to AI with the GCDO and is in the process of sharing its eLearning material with the Public Service Commission.
15. Inland Revenue is also considering how best to contribute to the GovGuide digital front door initiative led by the GCDO.
16. Inland Revenue will be contributing to the National AI Strategy as necessary and appropriate.
17. Inland Revenue is working hand in hand with the GCDO and have recently presented to the New Zealand Government Community of Practise. Two key excerpts from the presentation are attached
 - 17.1. Foundations and Key considerations for AI Solutions- Appendix 1 (pg. 7)
 - 17.2. Key Inland Revenue Reflections and Learnings – Appendix 3 (pg. 9)
18. Inland Revenue officials have also met with 15 agencies to both share resources and explore opportunities to work together. Anecdotal feedback from agencies suggests Inland Revenue

are ahead of the curve in terms of strategic thinking, governance processes and laying the foundations for safely trialling and scaling use of AI.

Key risks and challenges

19. Whilst there are many risks and challenges presented by Generative AI (for example bias, hallucinations, or discrimination), Inland Revenue's key risk is that of data and information leakage. This could compromise our obligations under legislation to protect personal information and Tax secrecy.
20. The key risk of data and information leakage manifests itself in two ways:
 - 20.1. Data input into an AI engine: Where Inland Revenue is applying AI capabilities internally, careful consideration is given to the data that is input into the AI engine (e.g. is it used to train a public facing AI engine? are there jurisdictional/legal considerations?) as well as applying our standard controls and monitoring.
 - 20.2. Publicly available AI which can be accessed by Inland Revenue staff either intentionally or inadvertently: While Inland Revenue has an AI Staff Use Policy and standards in place addressing this, additional controls have been put in place to identify and block access to known high risk sites as well as monitoring access to emerging AI capabilities.
21. The key challenge we face is the pace at which AI is proliferating and evolving both internally and externally.
22. Internally, the speed at which new and potentially beneficial uses of AI are evolving tests our ability to assure that risk controls remain relevant, provide mitigation and meet monitoring thresholds. This internal view extends into Inland Revenue's ecosystem where digital partners and vendors are implementing AI solutions which have access to and/or leverage Inland Revenue's data and information.
23. External challenges are wide ranging from accuracy of content used to train publicly available AI to "bad actors" use of AI to enable scams, frauds, and technical attacks against our infrastructure at unprecedented scale and pace. Inland Revenue has established risk frameworks, referencing guidance from the System Leads, which are used to evaluate and respond to these varying threats as rapidly as possible.

Key next steps/focus areas

24. We continue to explore opportunities with our core Tax solution partner, Fast Enterprises in developing more intelligent models based on the data we already hold in the Tax system.
 - 24.1. We are currently working with the FAST development centre in the USA to develop NZ specific decision support models within START. This will allow us to better target debt collection activities.
 - 24.2. FAST have an 'outsourced' collection service operating in the US that utilises a range of 3rd party data sources, and Artificial Intelligence to improve debt collection. We are exploring options of establishing a comparable service specific to NZ.
 - 24.3. We are actively exploring how we will use additional data, such as payment service provider data within these models.
25. We are exploring how we can use AI to assist staff in responding to non-voice queries, i.e. web requests, emails etc. We believe we can achieve efficiencies like those we have found in AI work in the voice channels space.
26. We are actively investigating possibilities for using AI to address key business outcomes such as

- 26.1. Assuring Revenue and Increasing Compliance
- 26.2. Debt collection and management
- 26.3. Increasing efficiencies in processing activities (Frontline and Back-office)
- 26.4. Protecting the Revenue System from AI powered attacks
- 27. We are evaluating and considering the use of Agentic AI to increase automation possibilities across business areas to support automation and increase efficiencies.
- 28. Inland Revenue is developing a strategic roadmap to create and manage our publicly available content so that it is fit for the future and better able to be consumed and used by AI tools.
 - 28.1. We are currently developing the roadmap options, staying connected with related AoG work (such as the DIA-led GovGuide Digital Front Door to NZ Government), and progressing relevant internal proofs of concepts.
 - 28.2. Initial insights show individuals and business (i.e. Law Cyborg) are already accessing our content via third-party Generative AI with some level of success. There is a need to act quickly to remove complexity including duplicated content which can negatively impact the results returned via Gen AI.
 - 28.3. We believe a future opportunity is using AI to provide contextual and targeted responses, i.e. the merging of general content (potentially from across government), with specific customer and transactional information.

Recommended action

We recommend that you:

1. **Note** the contents of this report.

Noted

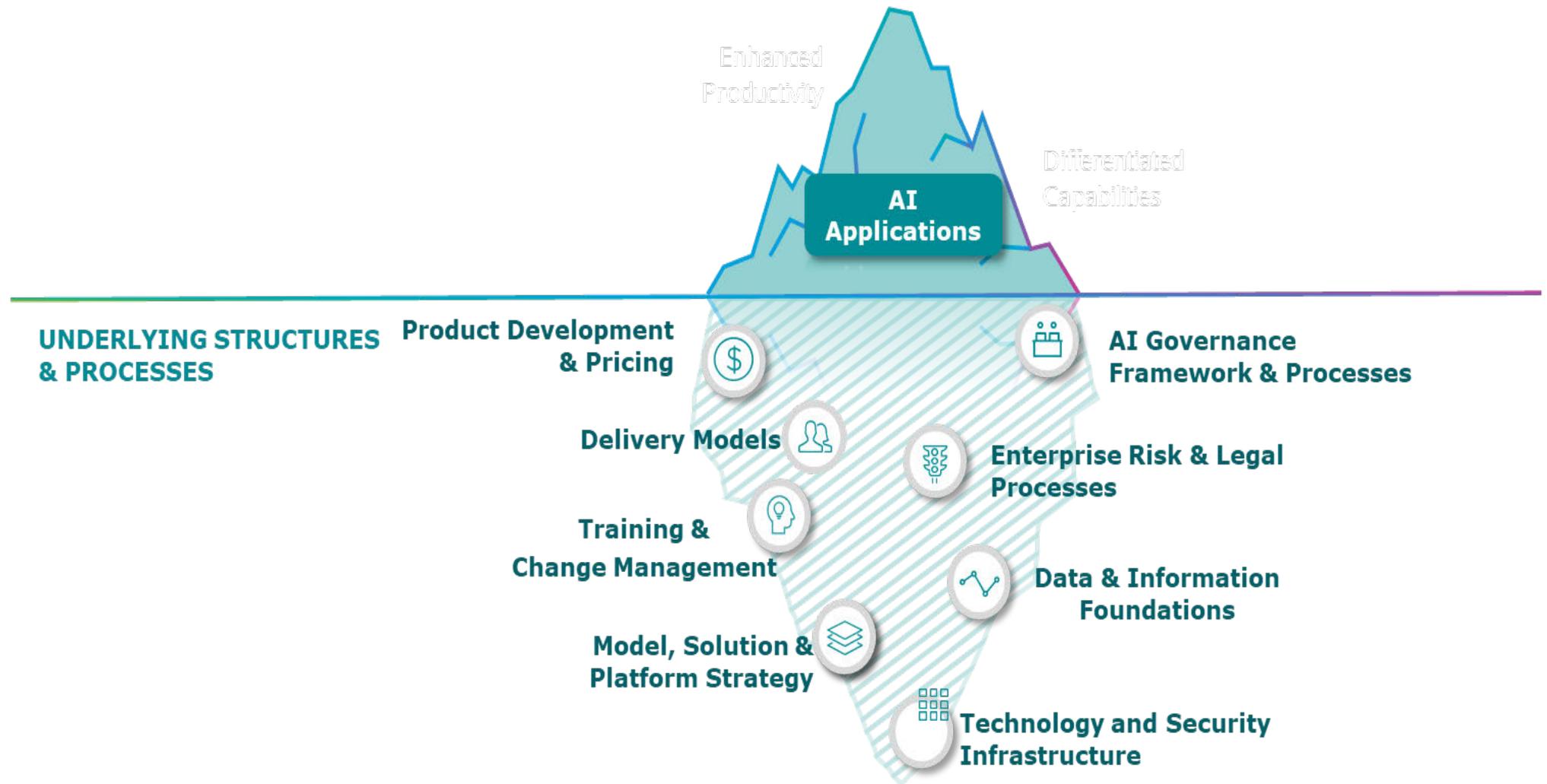
9(2)(a)



Brijesh John
Domain Lead, Strategic Architecture

Hon Simon Watts
Minister of Revenue
/ /2024

Appendix 1: Getting Foundations Right for AI



Appendix 2: Inland Revenue Digital Estate with an AI perspective

AI Security and Privacy	Acceptable use policies + further investments AI integrated protective security tools and platforms.	AI Assurance/Governance	Acceptable use policies + soft controls/user training/ reviews (ongoing) External audits/ assurance models for third party AI tool use with IR information (in consideration) Hard controls such as MS Purview (under investigation)	Contact Centre	Web Messages	IR Websites	Customer Facing
				<ul style="list-style-type: none"> Genesys Agent Assist Call Summarisation (in Pilot) Future automation possibilities with Agentic AI 	<ul style="list-style-type: none"> START Channels AI Integration 	<ul style="list-style-type: none"> Navigation Assistants → AI Assistants Content Strategy Update to consider access via reasoning engines (GovGPT, ChatGPT) – in progress Content summarisation/ personalisation – investigation (in progress) 	
				Tax and Social Policy System		Policy and Regulation Tech	Core Business
				<ul style="list-style-type: none"> Further investments in traditional AI models to support tax and social policy transaction processing and compliance activities (ongoing) AI integrated fraud detection and prevention tools which allows us early insights and intervention capabilities (in strategic recommendation stage) 		<ul style="list-style-type: none"> Content Strategy Implications (in progress) Domain Specific AI to support Policy and Regulatory purposes 	
				Back Office - Corporate Systems	Back Office - Knowledge Management/ Internal Websites	Staff Productivity	Back Office
<ul style="list-style-type: none"> Integrated Generative AI use to support more conversational self-service service models for corporate systems in strategic recommendations stage 	<ul style="list-style-type: none"> Content Strategy Implications (in progress) Integrated Generative AI use to support reasoning engine-based access (in progress – COVEO, MS Copilot) 	<ul style="list-style-type: none"> Back-office administrative activity productivity (MS Copilot – in full rollout stage) Office tools productivity (Office 365 Copilot PoC) 					
Data and Insights Platforms		Strategic and Operational Planning		Analytics/Insights			
<ul style="list-style-type: none"> Further investments in traditional AI models to support advanced analytics and compliance activities AI integrated advanced fraud detection and prevention tools which guides deep insights and targeted long-term prevention and mitigation strategies 		<ul style="list-style-type: none"> Use of Verint AI to enhance the performance and accuracy of forecasting for both voice and non-voice channels (in progress) Integrated AI to support demand and supply forecasting, scenario modelling and trend identification. 					

Appendix 3: Key Inland Revenue Reflections and Learnings

- Focussing on people
 - Leadership Support
 - Building Capability
 - Developing common understanding and demystifying AI
- Focus on value
 - Being specific on which workflows of the organisation that the organisation (and you want AI to help) can gain most value from
 - Measurable business outcomes – The technology is proven, you are trying to prove business value
 - Having assurance models and measurement frameworks
 - Building capabilities with a focus on scaling (enterprise scale is where value is but not many organisations are able to scale use of AI)
- Beware of AI Washing/ Trend jacking
 - Not all products contain AI or 'Generative AI/Agentic AI', even though they claim it
 - Assuming you have AI in product/platform without investigating it fully, could lead to you applying the wrong assurance yardsticks
 - On the flipside, Generative AI excitement may help open the door to traditional AI and other solutions
 - It is critical to keep the focus on the business outcomes and apply the correct digital solution to it (a type of AI or other technologies as may be relevant)
- Learnings from OECD Work on Trustworthy AI for Tax Departments - Survey Summary. (Inland Revenue participates in this group)
 - Traditional AI: Primarily used in compliance, often for ranking taxpayer populations based on historical data.
 - Generative AI: Being tested in customer service and internal management, with many LLM-based tools still in experimental phases.
 - Benefits: Quantifying the benefits of AI in tax administration remains challenging due to the sensitive nature of compliance work and the experimental nature of many generative AI tools.
 - Implementation Challenges: Implementing AI effectively requires addressing complexities such as executive support, change management, and technical architecture.



Inland Revenue report: Update on Inland Revenue's use of Artificial Intelligence

Date:	09 May 2025	Priority:	Low
Security level:	In confidence	Report number:	IR2025/229

Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of this report	NA

Contact for telephone discussion (if required)

Name	Position	Telephone
Brijesh John	Domain Lead, Strategic Architecture	s 9(2)(a)

09 May 2025

Minister of Revenue

Update on Inland Revenue's use of Artificial Intelligence

Purpose

1. This report:
 - 1.1. Provides an update on Inland Revenue's use of Artificial Intelligence (AI) for the period March to May 2025.
 - 1.2. Builds on the previous two notes to you.
 - 1.2.1. BN2024/276 detailed the many uses of AI in Inland Revenue.
 - 1.2.2. IR2025/068 provided an update on AI work in Inland Revenue for the period January to February 2025
 - 1.3. We propose our next planned update to you will be in August 2025. You will be advised about any significant changes or advancements in the interim via regular Ministerial Services channels.

Background

2. Inland Revenue's business transformation programme left Inland Revenue with excellent digital capability and very good data across our broad customer base.
 - 2.1. Inland Revenue has taken a strategic approach to AI, including increasing AI Literacy and establishing AI governance within the organisation. The strategy, AI literacy approach for staff, and the governance approach has been widely shared within the public sector.
 - 2.2. The current Inland Revenue AI work programme includes several proofs of concept (controlled studies), pilots and wider rollouts. The work includes Inland Revenue specific initiatives such as the use of AI/advanced analytics in tax compliance, risk and debt management (including collections). There are also several common capabilities/studies that can be utilised to varying degrees across the public sector.
 - 2.3. Inland Revenue is in the process of refreshing its AI Roadmap with a focus on enabling further business value and productivity at scale.

Key Highlights (Mar-May '25) -

3. Inland Revenue has recently completed a proof of concept of a generative-AI tool which generates test scenarios. The proof of concept showed positive results and productivity gains.
 - 3.1. The AI test scenario generator was trialled over six weeks. The trial compared the time it took to manually generate test scenarios against the time taken to create and check AI generated scenarios for a simple to medium complexity change.
 - 3.2. The generative AI service was 89% more efficient than the existing manual process. Reviewing an AI generated scenario took 27 minutes, compared to 286 minutes to

manually generate the scenarios. This is a paid service, so the net savings will be less than 89%.

- 3.3. Business teams at Inland Revenue handle large-scale initiatives and changes, often planning and writing between 1,000 – 5,000 test scenarios annually. The use of the new tool could therefore generate significant efficiency and productivity gains.
- 3.4. A six-month pilot phase has been initiated which will further test this service on a greater range of changes to confirm what enduring savings it could realise (whilst also considering the cost to use the service).
4. Inland Revenue has commenced a proof of concept of an Agentic AI using the Copilot Studio tool. Agentic AI refers to AI systems that exhibit a form of agency, meaning they can make decisions and take actions autonomously to achieve specific goals.
 - 4.1. This tool enables Inland Revenue to create 'agents' which are tailored and purpose-built solutions using our internal information across several platforms to respond to prompts from users. Internal users of knowledge base articles will be able to interact with an "agent" and get specific information without the need to search and read full documents for technology support matters.
 - 4.2. The proof of concept will create an agent for a lower risk use case (Enterprise & Integrity Services Technology functions). This will enable us to test the connections to the data stores and the retrieval of information. The first phases of this proof of concept will be focused on internal user self-support/help for technology-based incidents and requests.
 - 4.3. The understanding we will glean from this trial will help us identify the types of use cases this tool could service in future and define the process to review and approve future Copilot Studio Agents.
 - 4.4. Broadening the accessibility of Agents will allow us to consider automation possibilities at scale to improve efficiency and effectiveness across a wide range of functions in our organisation.
5. Inland Revenue have commenced a pilot using Genesys Cloud AI which will test the real-time presentation of contextual knowledge to our people, to help them answer customer queries.
 - 5.1. This tool is being trialled on three specific phone lines.
 - 5.2. The benefits we're seeking to confirm are a reduction in talk-time with our customers and decreased training time for our people.

Proofs of Concept/Pilot initiatives

6. The following use cases are being evaluated and rolled out at Inland Revenue.

New initiatives since our last briefing note

Initiative	Details
Enterprise Services Technology AI Agents Tailored and purpose-built AI Agent solutions that use internal information across corporate	<ul style="list-style-type: none"> • The Proof of Concept will create an agent for a low-risk use case (Enterprise Services Technology functions) to test the connections to the data stores and the retrieval of information. • The understanding we will glean from this trial will help us identify the types of use cases this tool could

Initiative	Details
platforms to enable better decision making and possible automation	<p>service in future and define the process to review and approve future Copilot Studio Agents.</p> <ul style="list-style-type: none"> • Broadening the accessibility of Agents will allow us to consider automation possibilities at scale to improve efficiency and effectiveness across a wide range of functions in our organisation.
<p>Knowledge Surfacing</p> <p>The real-time presentation of contextual knowledge to our people, to help answer customer queries</p>	<ul style="list-style-type: none"> • Expected benefits are a reduction in talk-time with our customers and decreased training time required for our people
<p>IT Service Management (ServiceNow Platform)</p>	<ul style="list-style-type: none"> • Inland Revenue has commenced a five-month proof of concept of ServiceNow's AI capability to understand the feasibility and value of the capability. • The proof of concept will use demo data to test resolution of service tickets.

Update on initiatives previously reported on

Initiative	Key findings and next steps
<p>AI test scenario generator tool</p> <p>AI-powered tool to create test plans and test scenarios</p>	<ul style="list-style-type: none"> • The generative AI service was 89% more efficient at creating test scenarios than the existing manual process for simple to medium complexity changes. • A six-month pilot phase has been initiated which will further test this service on a greater range of changes to confirm what enduring savings it could realise (whilst also considering the cost to use the service).
<p>Microsoft 365 Copilot:</p> <p>Copilot is integrated into the M365 suite of products (e.g. SharePoint, Word, Excel, Teams) and is designed to enhance staff productivity.</p>	<ul style="list-style-type: none"> • Proof of concept is in progress with early findings showing productivity gains. Copilot has also provided initial validation that our internal knowledge and content structure and the associated infrastructure is appropriate and of high quality. • Next steps: Ensure appropriate auditing capabilities can be implemented and look at wider use cases / rollout if found appropriate, cost efficient and effective.
<p>Microsoft Teams Premium</p>	<ul style="list-style-type: none"> • Microsoft Teams Premium pilot underway to determine service and cost comparisons with Microsoft 365 Copilot.
<p>Voice Channel: Conversation Summarisation</p> <p>Creates summaries of calls between a customer and Inland Revenue</p>	<ul style="list-style-type: none"> • Proof of concept demonstrated 17% decrease in after-call work time, no degradation in quality of notes and positive sentiment from our people who trialled this feature. • This feature went live for our people 28 April 2025 in Customer and Compliance Services – Individuals.

Initiative	Key findings and next steps
Microsoft Copilot (Bing)	<ul style="list-style-type: none"> • This continues to be rolled out in a staged approach across Inland Revenue, to ensure our people have the support they need to use the tool successfully. • 1800 users currently have access.

AI Capability Uplift

7. Inland Revenue have developed an Evaluation Specification to support and guide investment decisions. The specification provides criteria to measure the efficacy, benefit and value of proofs of concept for AI products.
8. Inland Revenue is updating its AI literacy approach and material to include Agentic AI.
9. Inland Revenue's AI Governance approach has been updated to enable Agentic AI use cases.
10. A refresh of our AI roadmap has been initiated, with a focus on scaling for enterprise productivity and value, including our delivery approach and key focus areas.

OECD engagement

11. Inland Revenue participated in the kick off session of Tax Administration 3.0 (Project D) Trustworthy use of AI for Tax Administration - Continuation phase.

Public Sector and Government Chief Digital Officer (GCDO) engagement

12. We continue to actively share our knowledge and resources with the GCDO and a range of agencies to support the wider public service's uptake of AI. This includes governance instruments, reusable use case specific documentation, AI evaluation approach and specification, proof of concept findings and AI literacy training material.
13. Inland Revenue has accepted a formal request from GCDO officials to reuse our AI literacy and training material across the public sector.
14. Inland Revenue Officials met with the GCDO this quarter to discuss a proposed Public Service AI Assurance Model. Inland Revenue Officials agree with the need to have a public service AI assurance model and provided feedback on changes to balance risk while enabling government organisations to rapidly innovate and adopt AI. Specific feedback has been provided to the GCDO who are working on a second iteration.
15. Inland Revenue participated in a deep dive on AI use in contact centres hosted by GCDO Officials. Inland Revenue have shared lessons learned, and artefacts with the GCDO and other interested public sector agencies to help speed up the uptake of AI in government contact centres.

Key risks and challenges

16. Inland Revenue's key risk remains that of data and information leakage. This could compromise our obligations under legislation to protect personal information and Tax secrecy.
17. A key challenge is the ability to keep up with the fast pace of AI developments including new types of AI and bad actors' finding new ways of using AI to disrupt operations.

18. We are actively considering how to effectively monitor and manage risks from the emerging use of Agentic AI, where AI Agents are essentially moving data and information between systems, both internally and externally.
19. An initiative has commenced to test and monitor public GenAI engines (ChatGPT, Gemini, Deep Seek, etc) for accuracy and consistency of answers to questions the public may ask about complying with tax obligations or obtaining social entitlements.

Key next steps/focus areas

20. The Chief Tax Counsel and has initiated a review to determine if the Tax Administration Act 1994 (TAA) is currently fit for purpose for digital advancements including AI.
 - 20.1. A networked team has been established including Officials from our legal, policy, digital and data capabilities to work on this as a priority.
 - 20.2. The review will consider our interpretation of the legislation and whether legislative changes may better enable Inland Revenue to leverage AI capabilities.
21. AI roadmap refresh focusing on the approach to scale AI use in Inland Revenue, including funding and delivery approach (target August 2025).
22. Initiate work with Policy function and related teams to trial how generative and agentic AI can help increase productivity in research, analysis and drafting of documents.
23. Continued focus on core business areas including:
 - 23.1. Contact centre – automation and productivity increase
 - 23.2. AI driven insights, decision intelligence and analytics, including those used for:
 - 23.2.1. Compliance and debt management
 - 23.2.2. Financial crime prevention/ fraud detection and prevention
 - 23.3. Protecting the NZ revenue system
 - 23.4. Ensuring Inland Revenue’s external content is fit for the future, including:
 - 23.4.1. Driving content quality for accurate consumption via reasoning engines (AI tools)
 - 23.4.2. Using AI to support the creation, design and management of this content
 - 23.5. Administrative productivity including
 - 23.5.1. Policy analysis and drafting
 - 23.5.2. Enterprise support services

Recommended action

We recommend that you:

1. **Note** the contents of this report.

Noted

s 9(2)(a)



Brijesh John
Domain Lead, Strategic Architecture

Hon Simon Watts
Minister of Revenue
/ /2025



Inland Revenue report: Update on Inland Revenue's use of Artificial Intelligence

Date:	27 August 2025	Priority:	Low
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Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of this report	NA

Contact for telephone discussion (if required)

Name	Position	Telephone
Brijesh John	Domain Lead, Strategic Architecture	9(2)(a) [REDACTED]

27 August 2025

Minister of Revenue

Update on Inland Revenue's use of Artificial Intelligence (AI)

Purpose

1. This report
 - 1.1. Provides an update on Inland Revenue's use of AI for the period June to August 2025.
 - 1.2. Builds on the previous note to you.
 - 1.2.1. IR2025/229 provided an update on AI work in Inland Revenue for the period March to May 2025
 - 1.3. We propose our next planned update to you will be in November 2025. You will be advised about any significant changes or advancements in the interim via regular Ministerial Services channels.

Background

2. Inland Revenue's Strategic and Investment Board approved a refresh to our strategy and direction regarding the use of AI, in September 2025.
 - 2.1. Considering the significant transformative potential of AI, our path ahead is through continuous AI-driven transformation which will enable *higher staff productivity and increased capacity* and will enable *data-driven intelligence and efficient delivery of better customer experiences*. Our approach must be one that gains value through increased public trust, scaling through value and transforming with people still at the heart.
 - 2.2. Considering the rapid advances and changes in AI technology, uncertainty around geopolitical and socio-economic conditions and the evolving global regulatory landscape, a different approach is required for our AI Strategy. Taking into consideration the flexibility and ability to pivot that is critical, we need a strategy that takes an agile and adaptive approach.
 - 2.3. Our AI vision is to transform tax and social policy administration through AI that simultaneously delivers the accessible, transparent, and culturally responsive services New Zealanders expect from government while achieving the operational excellence, productivity gains, and stewardship effectiveness that enables sustainable public service delivery.
 - 2.4. We are now working through the next steps to enable outcomes in alignment to our strategy including addressing capability and capacity related questions.

Key Highlights (Jun-Aug '25) -

3. Approval of Strategy and Direction for AI with a focus on 3 organisational shifts powered by AI
 - 3.1. Workforce Productivity,

- 3.2. Data Driven Intelligence (focussed primarily on compliance), and
- 3.3. Customer experience.
- 4. Use of Cortex AI to allow the business to 'ask questions of our data'
 - 4.1. Initial use case with audit data had good outcomes and was presented at the AI Accelerate day at Parliament.
- 5. We have begun using more sophisticated analytics models in our Tax System which help us to identify the debt collection action which is most likely to succeed for a customer.
 - 5.1. As the first step, we are using intelligent models which assess the customer's circumstances and compliance history and recommend the best action for that customer. Actions include:
 - 5.1.1. issuing a bank deduction notice,
 - 5.1.2. offering a pre-approved instalment arrangement, or
 - 5.1.3. remaining with current collections processes as the customer's debt will self-resolve.
 - 5.2. These models take into consideration data and information across IR.
 - 5.3. The models have been very successful with over \$39M under pre-approved instalment arrangements already and over \$12M in bank deductions recovered. This was achieved within a 10-week delivery time frame.

Proofs of Concept/Pilot initiatives

- 6. The following use cases are being evaluated and rolled out at Inland Revenue.

New initiatives since our last briefing note

Initiative	Details
<p>Voice Channel: Supervisor Assistant</p> <p>Utilising AI to analyse call transcriptions, to evaluate quality of customer service.</p>	<ul style="list-style-type: none"> • An AI agent will compare transcriptions of calls from Genesys Cloud against internally set criteria to evaluate the quality of a phone conversation with a customer. • This output can then be used to support individual staff development discussions between Team Leads and their direct reports. • Proof of concept is in progress; with time savings expected for Team Leads.
<p>Data Intelligence Platform: Natural language querying</p> <p>Evaluating the capabilities of Snowflake Cortex AI to potentially supplement or replace data analysis tasks and pre-defined reports.</p>	<ul style="list-style-type: none"> • The proof of concept will evaluate the natural language querying capabilities of the tool, within Inland Revenue's Data Intelligence Platform. • The insights gained from this trial will help us identify potential use cases for the platform and define the process for future AI adoption. This includes assessing the feasibility and alignment with our strategic goals. • Expanding the accessibility of the platform through AI will enable us to explore future possibilities

Initiative	Details
	<p>including increasing insights to allow us to identify and tailor interactions with our customers.</p> <ul style="list-style-type: none"> • In the future, with the addition of other features available in the platform, we can consider automation possibilities at scale, improving efficiency and effectiveness across various business functions.
<p>Legal Research Summarisation</p> <p>Provides AI-powered support for legal and research workflows by enabling natural language queries, case and document summarisation, and efficient information retrieval.</p>	<ul style="list-style-type: none"> • Beta testing a generative AI tool to assess usability and alignment with our research workflows (Lexis+AI). • Features include “ask a legal question”, case summarisation, and document interpretation via natural language prompts. • The beta test will leverage existing unclassified data as text prompts. • We are measuring efficiency through automating repetitive and time-consuming research over complex legal content, accuracy, scalability and innovation.

Update on initiatives previously reported on

Initiative	Key findings and next steps
<p>Enterprise Services Technology AI Agents</p> <p>Tailored and purpose-built AI Agent solutions that use internal information across corporate platforms to enable better decision making and possible automation.</p>	<ul style="list-style-type: none"> • A custom AI ‘Technology Agent’ was built using Copilot Studio to answer IT queries and raise ServiceNow tickets. It securely accessed IR’s internal data in a test environment, respecting permissions and confirming feasibility. • A limited production pilot has now commenced, and a small group will use the agent for live IT support, with monitoring focused on accuracy, usage and risk controls.
<p>Knowledge Surfacing</p> <p>The real-time presentation of contextual knowledge to our people, to help answer customer queries.</p>	<ul style="list-style-type: none"> • The pilot has concluded and showed no measurable improvement in call handling time or efficiency on the voice queues we tested it on. • Experienced staff rarely needed the surfaced articles. • The AI occasionally surfaced irrelevant content due to overlapping articles in our knowledge base. • The vendor is launching a connection with SharePoint shortly, which will reduce the manual data transfer necessary. Once this is in place, we will consider trialling the feature with our contingent workforce and new staff.
<p>IT Service Management (ServiceNow Platform)</p>	<ul style="list-style-type: none"> • Inland Revenue’s ServiceNow AI pilot, running from April to September 2025, is still in an experimental demo environment with no IR data,

Initiative	Key findings and next steps
	and findings will be reviewed after the trial to guide any future adoption.
AI test scenario generator tool AI-powered tool to create test plans and test scenarios.	<ul style="list-style-type: none"> The six-month pilot began in July 2025 and is expected to conclude in December 2025, when the evaluation will wrap up and results will be reported.
Microsoft 365 Copilot: Copilot is integrated into the M365 suite of products (for example, SharePoint, Word, Excel, Teams) and is designed to enhance staff productivity.	<ul style="list-style-type: none"> Following a successful 12-month pilot of 20 licenses, we are now scaling the pilot and have extended to 100 licenses, through to October 2025. The licenses are in back-office functions: Policy, Tax Counsel Office and Enterprise & Integrity Services. In addition to the standard M365 Copilot package, we are trialling three pre-built agents: Analyst, Researcher and Project Manager. The extended pilot in Policy and Tax Counsel Office is testing Copilot with budget-sensitive information under strict conditions—an approved exception to our AI use policy—to assess its handling of highly confidential content, before we consider a wider roll out.
Voice Channel: Conversation Summarisation Creates summaries of calls between a customer and Inland Revenue.	<ul style="list-style-type: none"> Conversation summarisation has been fully adopted in the Individuals Segment contact centre since April 28, 2025. We are now exploring pilots for our Business and Families customer segments.
Microsoft Copilot (Bing)	<ul style="list-style-type: none"> This continues to be rolled out in a staged approach across Inland Revenue, to ensure our people have the support they need to use the tool successfully. 1990 users currently have access.

AI Capability Uplift

7. Inland Revenue continues to adapt its AI fluency training, as new AI approaches emerge. More recently, this has included the emergence and proliferation of Agentic AI.
8. We have delivered targeted Agentic AI fluency training to select leaders to strengthen oversight and strategic understanding.
9. A new Agentic AI e-learning module has also been developed to complement existing AI fluency content, helping business leaders identify risks, opportunities and ethical considerations.
10. The initiative is supported by a cross-functional team from Inland Revenue and Deloitte, with delivery scheduled from July to September 2025.
11. The e-learning module will be shared shortly with GCDO, to join Inland Revenue's other AI e-learning modules already available to the wider public service.

OECD engagement

12. Inland Revenue's active participation in OECD forums ensures New Zealand's perspectives are reflected in the development of international standards for responsible AI use in tax systems. This engagement also enables Inland Revenue to stay abreast of global best practices and apply relevant insights to strengthen our own AI governance and implementation.
13. Inland Revenue has consulted on OECD Project D "Enhancing the trustworthy use of AI in Tax Administrations". The project's draft report presented an approach to navigating use cases for AI and a draft assurance checklist specific to AI use cases known across tax administration sectors.
14. We've shared feedback confirming Inland Revenue's support for the Trustworthy AI in Tax Administration material that accompanies the assurance checklist, which will aid our efforts. However, the draft assurance checklist is overly detailed, which may hinder swift progress. We have proposed specific changes to allow tax administrations to adjust their pace based on risk.

Public Sector and Government Chief Digital Officer (GCDO) engagement

15. We continue to actively share our knowledge and resources with the GCDO and a range of agencies to support the wider public service's uptake of AI. This includes governance instruments, reusable use case specific documentation, AI evaluation approach and specification, proof of concept findings and AI literacy training material.
16. Inland Revenue officials attended the AI Accelerate workshop held at Parliament this month, showcasing our use of AI in the contact centre and in our Data Intelligence Platform.
17. Our refreshed AI Strategy and Direction has been shared with GCDO officials.
18. Inland Revenue officials have been working alongside GCDO to publish Digital Fluency Case Studies and also present these to the Australian Public Service Commission.

Key risks and challenges

19. Social acceptance represents the cornerstone requirement for AI transformation success, with government AI initiatives facing significant citizen concern rates that require proactive trust-building. Without sustained public confidence and staff engagement, even technically superior AI systems encounter implementation barriers that undermine strategic objectives. The stakes are particularly high for government AI deployment, where public trust directly impacts New Zealand's global reputation and long-term citizen compliance.
20. Generative AI is being used to enhance traditional attack methods, such as phishing, reconnaissance, and malware development, but there is limited evidence of novel or uniquely AI-driven threats.
21. Although there is currently limited evidence of novel or uniquely AI driven threats, the rate of change in AI-based cyber threats is increasing, which in turn will mount pressure on the requirement for frequent reviews of existing controls, updates to threat intelligence sources, and continuous staff upskilling.
22. The adoption of AI agents internally and by customers is introducing new systemic risks in data handling, service interactions, and compliance, as these agents can autonomously access and act on sensitive information.
23. Third-party use of AI could introduce risks around customer data that will have to be carefully managed considering a balance between potential productivity increase and privacy, security and bias related issues. IR must consider this from a partner, vendor, digital service provider and intermediary perspective.

24. Research shows us that value from AI is mostly seen in organisations which invest in the integration of AI in core business activities. Inland Revenue will have to make trade-off decisions as core business resources will be required in addition to hard-to-find expertise in the market to support strategic shifts associated with core business activities. A concerted focus on these shifts will also require dedicated funding.

Key next steps/focus areas

25. We are considering improved and AI-powered OCR in the Tax system for the Donation Tax Credit (DTC) and FamilyBoost (FB) products to increase automated processing of claims
26. We are putting concerted focus and effort on considering, trialling and implementing AI that can be used to support our approach to managing debt and improving compliance outcomes.
27. In alignment to our AI strategy, this includes integrating rule-based automation, machine learning, generative AI and optimisation techniques to deliver superior outcomes. Our approach is focused on the four key areas of our debt management approach areas and will explore options such as:
- 27.1. Changing the system: We will consider AI-enhanced policy simulation, increased use of predictive modelling, improvements to automated deduction-at-source and scenario testing using agentic AI.
 - 27.2. Minimising what becomes debt: We will consider behavioural nudges, improved access and responsiveness through chatbots (multilingual), risk scoring, partner-integrated campaigns and early warning systems.
 - 27.3. Maximising what we collect: We will consider AI-optimised payment arrangements, prioritised collections, third-party performance analytics and penalty impact modelling.
 - 27.4. Minimising write offs: We will consider early alerts for legal escalation, AI-assisted litigation preparation, unified case management and improved cost-benefit analysis of enforcement.
 - 27.5. We are working through the roadmap for enabling outcomes including
 - 27.5.1. Preparing our data and information sets for AI,
 - 27.5.2. Creating a debt and compliance focussed stream within our AI innovation lab, and
 - 27.5.3. Embedding governance, privacy and ethical safeguards with a goal of increased public trust
28. We are initiating work to introduce an AI innovation lab which will allow us to safely test AI integration into core business outcomes in alignment to our strategy in a safe and responsible manner.
29. We continue to focus on core business areas including:
- 29.1. Contact centre – automation and productivity increase
 - 29.2. AI driven insights, decision intelligence and analytics, including those used for:
 - 29.2.1. Financial crime prevention/ fraud detection and prevention
 - 29.2.2. Protecting the NZ revenue system
 - 29.3. Ensuring Inland Revenue’s external content is fit for the future, including:
 - 29.3.1. Driving content quality for accurate consumption via reasoning engines (AI tools)
 - 29.3.2. Using AI to support the creation, design and management of this content

29.4. Administrative productivity including:

29.4.1. Policy analysis and drafting

29.4.2. Enterprise support services

Recommended action

We recommend that you:

1. **Note** the contents of this report.

Noted

9(2)(a)



Brijesh John
Domain Lead, Strategic Architecture

Hon Simon Watts
Minister of Revenue
/ /2025



Inland Revenue report: Update on Inland Revenue's use of Artificial Intelligence

Date:	05 December 2025	Priority:	Low
Security level:	In confidence	Report number:	IR2025/442

Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of this report	NA

Contact for telephone discussion (if required)

Name	Position	Telephone
Brijesh John	Domain Lead, Strategic Architecture	s 9(2)(a)

05 December 2025

Minister of Revenue

Update on Inland Revenue's use of Artificial Intelligence (AI)

Purpose

1. This report
 - 1.1. Provides an update on Inland Revenue's use of AI for the period September to November 2025.
 - 1.2. Builds on the previous note to you.
 - 1.2.1. IR2025/365 provided an update on AI work in Inland Revenue for the period June to August 2025.
 - 1.3. We propose our next planned update to you will be in April 2026. You will be advised about any significant changes or advancements in the interim via regular Ministerial Services communications.

Background

2. Inland Revenue continues to focus on its next steps with AI following the AI Strategy approval in August 2025. This is primarily based on the following key foundational considerations:
 - 2.1. Focus on business value and government priorities,
 - 2.2. Strong leadership, and
 - 2.3. Digital dexterity and domain specific AI fluency to enable our staff.
3. In addition to our focus on identifying, trialling and scaling AI capabilities for improving staff productivity, data driven intelligence and customer experience, we are:
 - 3.1. Identifying value areas where IR can get the best return from deploying AI capability at scale,
 - 3.2. Streamlining our AI governance to increase efficiency and effectiveness,
 - 3.3. Creating innovation lab environments to allow safe experimentation and progress with AI, and
 - 3.4. Creating a reference model to identify which AI products and vendors should be involved in specific business domains and needs.

Key Highlights (Sep-Nov '25)

4. We have made further enhancements to the advanced analytics and AI in our Tax system which supports debt collection.
 - 4.1. We have added customer calls and site visits as additional recommended actions to our AI model (as these were identified as providing high value to debt collection activities).

- 4.2. We expect to add Bank Information Requests to the AI model in January 2026 which will further optimise our deduction activities.
- 4.3. We have the following updated financial outcomes to report because of the use of these intelligent models:
 - 4.3.1. \$24m in bank deductions recovered
 - 4.3.2. \$88m under pre-approved instalment arrangement
 - 4.3.3. \$54m cleared after an instalment offer or a call/visit
5. Microsoft 365 Copilot is currently being rolled out across all staff at Inland Revenue. This is Inland Revenue's largest AI rollout to support staff productivity to date and includes three pre-built agents - *Researcher*, *Analyst* and *Project Manager*.
 - 5.1. Copilot is integrated into the M365 suite of products (for example, SharePoint, Word, Excel, Teams) and is designed to enhance staff productivity.
 - 5.2. Pilots conducted throughout 2024 and 2025 at Inland Revenue, demonstrated:
 - 5.2.1. Copilot respected access permissions, and no data leakage or unintended disclosure incidents occurred.
 - 5.2.2. Productivity gains across a wide range of roles at Inland Revenue.
 - 5.2.2.1. Staff self-reported reasonable amounts of time saved on a number of regular tasks they perform each week.
 - 5.2.2.2. 76% of staff reported improvements in the quality of their work.
 - 5.3. A staged rollout will happen through to mid-2026, with the target of all IR staff having access at the end of the rollout.
 - 5.4. The rollout also includes access to pre-built agents which help with research and analysis activities conducted by staff members.
 - 5.5. Our back-office information knowledge practitioners are also utilising the administrative AI functions of M365 Copilot, including SharePoint Advanced Management. This uses AI to assist us in identifying areas of our document management in SharePoint which may require review or remediation as part of AI readiness and lifecycle management activities. It gives SharePoint Administrators tools and AI insights to spot and fix oversharing and to help control access to sensitive information.
6. We have concluded a proof of concept to evaluate the capabilities of Snowflake Cortex AI.
 - 6.1. Inland Revenue's Data Intelligence Platform (DIP) is built on the 'Snowflake' platform, which is a cloud-based data platform. Within the Snowflake platform, Cortex AI is available. Cortex AI is Snowflake's native AI and machine learning capability and embeds directly into the DIP. This allows the DIP to use AI, perform more advanced analytics at speed and build intelligent applications safely without moving data outside IR's data platform boundaries.
 - 6.2. Within Cortex AI, Inland Revenue are trialling Cortex Analyst. By using this feature, our staff can ask business questions in natural language and receive direct answers from the data and AI models. This enables users to gain insights without the need for in depth technology and coding knowledge.
 - 6.3. This proof of concept took place in a controlled, production-grade environment using the existing dataset associated with the Audit Outcomes data product. Key findings included:
 - 6.3.1. Accuracy and reliability: natural language queries delivered results that matched source data accurately.

- 6.3.2. Speed and efficiency: Ad-hoc analysis was completed in seconds instead of hours or days.
- 6.3.3. Broader access and usability: Natural language querying reduced reliance on SQL skills. This will enable a wider audience within Inland Revenue to access to DIP data without technical barriers.
- 6.4. We are currently evaluating the appropriate rollout process to give staff access to Audit Outcomes data available securely.
- 6.5. We are identifying and prioritising other high-value data domains for Cortex AI enablement and will begin to pilot these.
- 6.6. In the future, with the addition of other features available in the platform, we can consider automation possibilities at scale, securely, with data not leaving our platform boundaries.
- 7. We have initiated further work on the use of AI to support customer compliance outcomes.
 - 7.1. A workshop was held with leaders and analysts within Customer Compliance Services (CCS) to identify key business processes where AI could enhance efficiency and boost productivity.
 - 7.2. Key themes from the workshop have been identified, and the process of determining and prioritizing potential AI use cases is in progress.
 - 7.3. Work has been initiated on producing a business value map which will clearly identify prioritised areas of investment in AI to help achieve prioritised business outcomes.

Proofs of Concept/Pilot initiatives

- 8. The following use cases are being evaluated and rolled out at Inland Revenue, if proven successful and capacity is available.

New initiatives since our last briefing to you

Initiative	Details
<p>E-Learn development software</p> <p>AI assistance within Articulate360 software which enhances and accelerates the eLearning content creation process</p>	<ul style="list-style-type: none"> • Six-month pilot commenced October 2025. • Pilot activated the AI assistant for Inland Revenue's 23 licenses of Articulate360. • This will support the creation of eLearning materials across all business groups through the Organisational Learning team. • Increased productivity is expected with a reduction in time spent drafting content and developing learning materials.

Update on initiatives previously reported on

Initiative	Key findings and next steps
<p>Legal Research Summarisation</p> <p>Provides AI-powered support for legal and research workflows by enabling natural language queries,</p>	<ul style="list-style-type: none"> • We beta tested a generative AI tool to assess usability and alignment with our research workflows (Lexis+AI). • Features included "ask a legal question", case summarisation, and document interpretation via natural language prompts.

Initiative	Key findings and next steps
<p>case and document summarisation, and efficient information retrieval.</p>	<ul style="list-style-type: none"> • s 9(2)(b)(ii), s 9(2)(g)(i) • We will continue to explore AI-enabled research offerings from other Library databases, CCH and Westlaw.
<p>IT Service Management (ServiceNow Platform)</p>	<ul style="list-style-type: none"> • The proof of concept, focused on learning and testing of ServiceNow’s generative AI capabilities to support IT service management functions, has completed. This trial used no IR data or configuration. • Initial findings indicate that the generative AI capabilities of the tool may reduce time and effort for IR staff in their interactions with ServiceNow. • s 9(2)(b)(ii), s 9(2)(g)(i)
<p>Microsoft Copilot Studio Agent</p> <p>Tailored and purpose-built AI Agent solutions that use internal information across corporate platforms to enable better decision making and possible automation.</p>	<ul style="list-style-type: none"> • A custom AI Technology Agent “Tech Buddy” was built using Copilot Studio to answer IT queries and raise ServiceNow tickets. • This pilot has now extended to 200 staff. • We are now in the process of evaluating where AI agents will add most value to our business in a safe and secure manner
<p>Microsoft Purview Enhancements</p>	<ul style="list-style-type: none"> • Microsoft Purview is a suite of services for data and information governance, protection, and management within M365. • By implementing MS Purview capabilities, we are strengthening our compliance posture, improving information security, and enabling responsible data use. This toolset also moves us towards preventative controls, supporting our organisation to more safely adopt new AI technologies (such as the current M365 Copilot deployment) and is a key focus over the coming months. • The Microsoft Purview Enablement Initiative was established to implement foundational capabilities – including label classification, Data Loss Prevention (DLP) rules, and Data Security Posture Management (DSPM) – alongside a sustainable operating model to ensure these services are maintained and continuously improved. • As part of this initiative, IR has updated and improved our classification labels. The labels were implemented for all Inland Revenue staff on 10 November 2025. This release included the creation of new security controls (DLP) that help protect our sensitive information from being accidentally or improperly shared; and enabling a reporting tool (DSPM) which provides visibility of how AI tools are

Initiative	Key findings and next steps
	being used across the organisation and identifies potential risks. Following early life support, the foundational operating model will be introduced in early December.

AI Capability Uplift

9. The organisation-wide phased roll out of Microsoft 365 Copilot across Inland Revenue includes several training sessions to support the safe use of the tool by our people. There is also a focus on providing domain specific training for our staff (for example, solicitors, communications experts, frontline, analysts) to enable staff to use Copilot more efficiently and effectively in the role they do.
10. A framework has been developed to support our people when undertaking AI testing. It provides guidance and best practice for our people to ensure testing can be done effectively and results can be documented in a consistent format.

OECD engagement

11. Work continues on the OECD project D - Use of Trustworthy AI in Tax Administration report, which New Zealand is contributing to.
12. Tax administration representatives across OECD have launched a knowledge-sharing workstream to help disseminate key insights and learnings – the topic of the first session is Measuring the Impact of AI in Tax Administration, with presentations from China, France and Canada.

Public Sector and Government Chief Digital Officer (GCDO) engagement

13. We continue to actively share our knowledge and resources with the GCDO and a range of agencies to support the wider public service's uptake of AI. This includes governance instruments, reusable use case specific documentation, AI evaluation approach and specification, proof of concept findings and AI literacy training material.
14. Inland Revenue's AI literacy training materials have also been shared with Australian government agencies, state and local government, and government business enterprises.
15. Officials attended a cross-agency roundtable on AI regulation, led by the Ministry for Regulation. The session was intended to help identify shared priorities and potential areas for collaboration, as well as inform future Ministry guidance and workshops on AI in regulation.
16. IR Officials participated in a session with the National AI Advisory Group organised by GCDO and provided input and context for the group on the use of AI within the public sector.
17. The GCDO and Inland Revenue have engaged in early discussions on working together on safe trialling spaces for AI in the public sector.

Key risks and challenges

18. The key risks and challenges discussed in my previous note to you (IR2025/365) continue to be relevant this quarter. This section will note additional risks and challenges.
19. Movement of data and information from core systems into AI models can result in degradation of security controls. We are focussed on ensuring that the appropriate controls are in place as we navigate the rollout of M365 Copilot.

20. s 9(2)(g)(i)

21. Vendors are releasing new features and functionality at pace. To ensure safe and responsible adoption of these rapidly evolving AI capabilities, all new features must undergo thorough evaluation before being made available to staff. This approach supports deliberate, controlled, and secure utilisation of emerging technologies.

Key next steps/focus areas

22. Value mapping and prioritisation of AI use to support Customer Compliance Services.

23. Further enhancements to intelligent models which support debt collection and related analytics.

24. Further work with Microsoft Purview for increasing assurance controls on our AI investments

24.1. The future roadmap for this initiative focuses on enhancing the foundational functionality, while exploring additional capabilities. Key priorities include automatically identifying, classifying, and potentially excluding certain data types for AI use, automated identification of unethical or risky behaviours, and exploring the potential integration of Purview capabilities into a range of digital platforms across the organisation.

25. We have commenced the 'Strategic Approach to Content' programme of work to ensure Inland Revenue's external content is fit for the future. The way in which people are searching for information online has evolved rapidly in recent years. Tools like Copilot, ChatGPT or Siri are becoming the norm. These tools search for publicly available information (such as our website) for answers. We need to ensure IR content is surfaced as the authoritative source of tax advice and guidance no matter where or how our customers find it.

Recommended action

We recommend that you:

1. **Note** the contents of this report.

Noted

s 9(2)(a)

Brijesh John
Domain Lead, Strategic Architecture

Hon Simon Watts
Minister of Revenue
/ /2025