Year three of automatically issued income tax assessments

This case study looks at the third year of automatically issuing income tax assessments following its introduction from the year ending 31 March 2019.

Automatically issued assessments contribute to the achievement of the following investment objective: Improve the customer experience by making it easier and simpler for customers (i.e., where possible reduce compliance costs).

One of the goals of our transformation has been to make it simpler and easier for people to be certain they are paying and receiving the right amounts.

A key enabler for ensuring people's obligations and entitlements were more accurate were changes to reporting requirements for employers and payers of investment income.

We included investment income in end of year assessments where possible

The investment income reporting regime was implemented on 1 April 2020, requiring financial institutions to supply IRD numbers with their reports to us. These changes have been progressively introduced and the year ending 31 March 2021 was the first full year we received more details, more often, about recipients of investment income.

Income from portfolio investment entities (PIE)—such as KiwiSaver (retirement saving) schemes—was included in the end-of-year income tax assessment process and automated where possible.

PIE calculations were squared up using the correct prescribed investor rate (PIR) with over or under payment offset against income tax.

This required some of our customers to contact us to confirm spilt of investment for joint accounts; we've improved this process for 2022.

In 2021 we built on lessons learned in previous years. We contacted customers throughout the year to update their details and worked to get their assessments out faster to give customers certainty faster.

We used data throughout the year

If deductions from employers for tax are accurate throughout the year, customers should have smaller refunds or bills to pay (if any) at the end of the tax year, and this helps us to ensure that people are paying and receiving the right amounts.

We proactively contacted 450,000 customers and employers throughout the 2021 year to let them know that they were on unsuitable tax codes and needed to update their details. This enabled customers to update their tax code early to reduce debts or refunds at the end of the year as the goal is customers pay the right amount not too little or too much. This also helps our customers to ensure their tax codes are correct in future years.

There was a 3% increase in the number of valid bank accounts we held compared to 2020 so we didn't need to contact as many customers and were able to process their refunds faster.

We issued over 3.2 million assessments to customers through the 2021 process.

We have had a 10% increase in tax assessments finalised, from 2.79 million assessments finalised in 2020 to 3.05 million in 2021.

We have seen a year-on-year improvement in the accuracy of income tax assessments resulting in refunds.

The average tax to pay decreased from $559 in 2020 to $454 in 2021, although this is still provisional. An increase from 2019 to 2020 was, in part, due to a large number of people being on a higher or lower prescribed investor rate than they should have been.

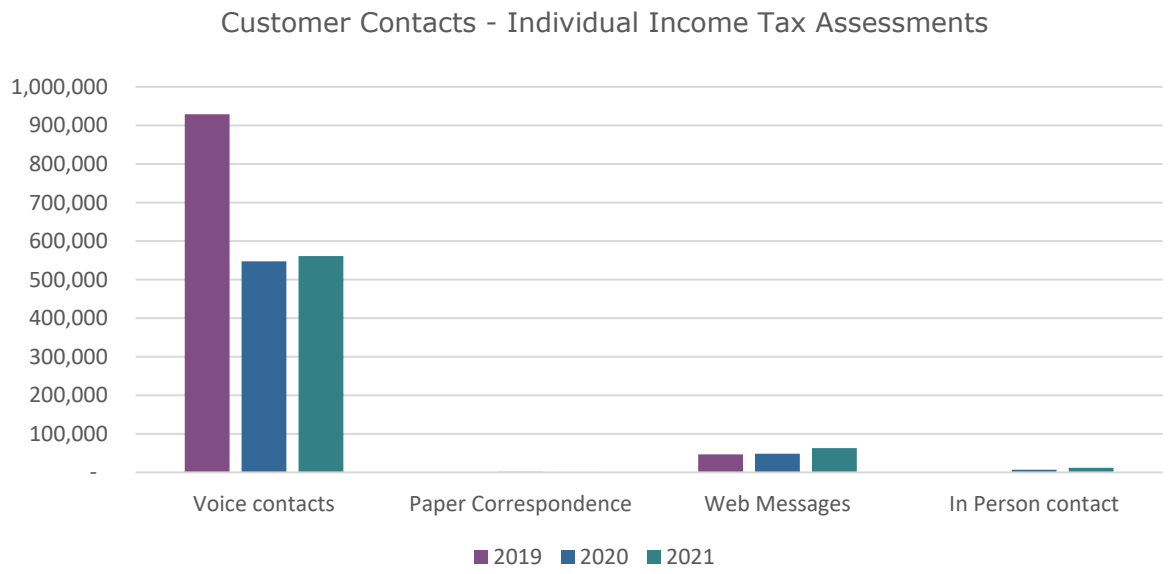
The average refund reduced from $386 in 2020 to $350 in 2021 which demonstrates tax is becoming more accurate as refunds and tax to pay have decreased.

Our customer base and contacts changed in 2021

Our customer base changed for 2021 as our customers who accessed COVID-19 Government relief (from wage subsidies) were impacted by requiring changes to their filing requirements for 2021. This meant more customers needed to provide us information than in previous years.

Whilst our voice channel demand in 2021 reduced by 36% compared to 2019, our overall customer contacts (all channels) was a 6% increase compared to 2020 (increase between 2021 and 2020 can largely be attributed to COVID-19 lockdowns in New Zealand where our contact centres were partially closed), a number of factors played a part in this increase including:

- A change from 2020, where as part of the New Zealand Government's COVID-19 response, tax debits under $200 were written off, in 2021 this amount reverted to the usual $50 limit. This caused contacts from our customers who were expecting this to occur again in 2021.
- The 2021 year had 27 fortnightly payments (for paydays) which often meant tax had been under-paid. Once we had confirmed with customers this was the cause of their under-payment and the information that we held about their wages was correct this extra tax was written off if certain conditions were met. This added to contacts from our customers. This extra payday, at this scale, happens about once every ten years.
- Now that our system creates a tax assessment for everyone, some people receive bills and refunds that they didn't previously and have questions about the new processes



Our staffing numbers were impacted by COVID-19 due to nation-wide and localised lockdowns and therefore impacted our ability to be available for our customers.

Our customers know what to do

The results from the Customer Experience and Perceptions Survey on whether customers know what to do shows our customer ratings of 4 or more out of 7 (where 7 is 'strongly agree').

In 2021 86% of customers agreed they knew what they needed to do next, compared to 84% in 2019-20 and 90% of customers agreed they felt confident that they were doing the right thing.

Our indicators for customers paying their tax obligations for income tax, employment activities and GST in full and on time continued to rise in 2021 with 89.9% of customers paying on time compared to 85.9% in 2020 (relating to customers who made payments).

This was driven by increases in payment timeliness across all 3 products.

- 5.1 percentage points for employment activities.
- 4.3 percentage points for income tax.
- 2.7 percentage points for GST.

Since the introduction of mandatory payday filing, which was earlier in our transformation journey, we have seen an increase in employment activity payments made on time.

Our customers utilised self-service options

We saw an increase in the number of logins to our myIR (self-service online) platform across our individual income tax assessment period in 2021 with 13% more logins when compared to 2020.

Changes to virtual security gateway allowed for higher myIR login volumes of around 120,000 logins per hour and there were no significant incidents or outages with this service.

We also had an increase in customers using web messages to contact us compared to previous years.

Looking ahead for 2022

We're planning informational marketing campaigns and activities to inform and educate our customers.

Our aim continues to be that customers are certain they are paying and receiving the right amounts, and this is easy and simple. We will issue assessments across a short duration again as we have done in previous years to ensure our customers have information quickly.

We're expecting changes for our customer base as on 1 April 2021, a new tax rate of 39% for income over $180,000 came into effect. Interest payers (such as banks and other financial institutions that pay interest) were not required to have the new rate available until 1 October 2021, this may cause an imbalance for some customers with their tax deductions and we're expecting some contacts because of this.

We’re expecting the COVID-19 pandemic to continue to play a role in our services provided to our customers as we support Government initiatives with COVID-19 support, we’re expecting some of our customers may contact us because of this.