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Digital Advisory Group Meeting Minutes
Version 1.0

Date:	Thursday 10 October 2024
Time:	10.00am - 4.30pm NZDT
Attachments:	• Confirmation of Existing IRD Numbers Pack • IR Change Management Process Pack
Chair:	Anil Srinivasa (Inland Revenue)
Secretariat:	Maggie Leese (DSPANZ)
Members:	Catherine McLellan (Xero) Chris Mar (Datacom) Don Hounsell (MYOB) Edwin McLean (The Access Group) Eric Troebner, Chris Cunniffe (Tax Management NZ) Matt Webb (MyMahi) Mike Behling (Taxlab) Paul Orford (ReadyTech) Tim Kirkpatrick (Tax Traders)
DSPANZ Participants:	Matthew Prouse (DSPANZ)
Inland Revenue Participants:	Glenn Richards Nick Wilkins Mark Tapara Richard Braae Shantanu Dutta Vicki Cronin
Guests:	Bary Hollow (Inland Revenue) Brijesh John (Inland Revenue) Brooke Cole (Inland Revenue)
Apologies:	Allen Knight (DSPANZ) Dan Blank (Inland Revenue) Katherine Truman (SAP) Katie Leitch (MYOB) Robert Rolls (Afirmo)

Item	Description	Lead
1	**Welcome and opening karakia** Anil Srinivasa welcomed everyone to the meeting and invited Mark Tapara to provide an opening karakia.	Anil Srinivasa (Inland Revenue), Mark Tapara (Inland Revenue)
2	**Acceptance of previous minutes** Anil Srinivasa moved to accept the minutes from the meeting on 22 August 2024. The minutes were taken as read and accepted.	Anil Srinivasa (Inland Revenue)
3	**Action item review** **23.05.2024-2:** Key contacts have been on leave. **22.02.2024-1:** Anil Srinivasa acknowledged that the draft information collection framework has been shared with members and will be published in November. Anil will reconnect with the team to understand the resourcing requirements for this work.	Anil Srinivasa (Inland Revenue)
4	**Tax Administration Around the World** Matthew Prouse presented an overview of how different tax administrations operate and how they compare to New Zealand. New Zealand is viewed as a leading digital economy. Key differences to other tax administrations include relying on personal income tax and eInvoicing being driven outside the revenue agency. Matthew provided insight into OECD and the Forum on Tax Administration focus areas, noting a push to establish a new global tax convention with many Pacific nations, excluding New Zealand and Australia, voting for this change. GST/VAT gaps drive digitalisation for many jurisdictions. eInvoicing is being leveraged to reduce these gaps and report data to revenue agencies in real time. Matthew summarised global trends, including increased AI and analytics capabilities, collecting and using third-party data, and pre-filling GST returns. Conversations about sharing economy reporting are moving from retrospective reporting to these platforms collecting GST and remitting it to the revenue agency. It was noted that OECD Pillar 1 has not progressed as fast as Pillar 2. In the APAC region, the ATO and the Australian Department of Foreign Affairs and Trade support the Pacific One Stop Shop initiative to help Pacific nations unlock GST on digital sales they would not otherwise collect. Pacific nations are leveraging IMF and World Bank funding for their tax modernisations.	Matthew Prouse (Capability Wise)

	Matthew shared some challenges and downfalls of tax digitalisation, particularly from leveraging AI. The consequences have ranged from being required to wind back processes that were not regulated by law to changes in government. New Zealand's AIM is considered a model for future tax administration, but the uptake was lower than expected. Inland Revenue (IR) has a modern technology stack compared to Australia, and it more closely aligns with European countries. Matthew summarised the presentation by recognising these trends affect DSPs' multi-million dollar decisions in New Zealand. While the pack has not been distributed, Matthew noted he can have further conversations with those interested. Members discussed the following: ● IR's methodology and mindset towards their technology are similar to the EU's as they leverage off-the-shelf implementations rather than heavily customising solutions ● There is limited publicly available information about IR's strategy to assist DSPs with making investments in New Zealand ● AIM would need to be mandated for more DSPs to invest ● New Zealand and Australia's challenges differ from their trading partners worldwide.	
5	**MORNING TEA BREAK**	
6	**Digital Ecosystem Strategy Update** Anil Srinivasa provided an update on the Digital Ecosystem Strategy, reflecting on its three horizons and Inland Revenue's focus on building foundational capability from 2024-26. The updated strategy document is being presented to IR's Board in November, and the intent is to publish an external version by the end of March 2025. Anil noted that the service management platform is now embedded with continued improvements to its functionality. DSPs shared they see issues with employees being able to post, and IR shared that this is why that functionality is not currently available. Anil provided an update on the progress of creating a DSP security framework. IR has established a program of work (Digital Threats and Vulnerabilities) which is intended to identify both current and future Fraud and Security initiatives which will cumulatively enhance IR's resilience and mitigate exposure to digital risks. The DTV program is currently being summarised and is on the agenda for presentation, discussion	Anil Srinivasa (Inland Revenue), Glenn Richards (Inland Revenue), Nick Wilkins (Inland Revenue)

	and prioritisation with IR's Executive Leadership Team in early December. Anil confirmed Inland Revenue's support in introducing a security framework and updated terms and conditions but noted they require the proper support and processes to implement and monitor them. IR is also looking at how existing APIs can be used more extensively and is identifying if they need to be modified to be more fit for purpose. Anil recognised the intent to share data more openly, but there are currently constraints in legislation. Anil shared that there is work to simplify tax for small businesses, recognising that AIM and BT have not solved all challenges. Anil acknowledged that IR wants to leverage and consult DSPs to support this work. Members said they would appreciate a written update that DSPs can share internally. Anil shared that IR is keen to communicate the strategic direction with DAG members as soon as practical following the presentation to the Board in November.	
7	**IRD Numbers** Glenn Richards shared that IR wants to improve compliance through better data quality and looks to challenge existing legislation on what is currently categorised as sensitive revenue information - such as IRD numbers. Glenn provided an overview of statistics related to queries and errors for IRD numbers and noted that the evolution of payroll software has improved error rates. IR wants to understand the demand and use cases that would support better data quality throughout the ecosystem and provide value to taxpayers by expanding access to the IRD number service. Glenn shared that the next step is having conversations with external stakeholders. The opportunities to expand the use of IRD numbers include changing the legislation, updating the interpretation of the legislation or increasing the categories of participants that can access this data. If the legislation is updated, it would add 12-18 months to being able to deliver changes. Members discussed that employers can access IRD numbers. If payroll software providers could leverage this service, they would be the portal allowing the interaction - it would still be employers accessing this information. Members shared they would be interested in validating IRD numbers and see value in the use cases presented by IR. DSPs would utilise the service if there are benefits to customers, such as helping them validate new employees' IRD numbers or correcting the information they have.	Glenn Richards (Inland Revenue)

	Glenn shared that 30% of the information in the banking and employment spaces has no IRD numbers attached and recognised an expanded service would help to clean this data. Members raised that IR would need to change build packs as they still allow for 9 zeros and do not require names. The group had a broader discussion about individual interactions with IR and the government and how data can be collected or shared. The group also discussed identity verification and what may become verifiable attributes for tax purposes (e.g. name, DOB, tax residency and status), noting that IRD numbers cannot be used as general identifiers. The pack has been included alongside the minutes for members to provide feedback. Glenn has requested input on the following: ● Use case examples for access to IRD confirmation service/data ● What is the likelihood of adopting a technical solution Members interested in discussing this in more detail can contact Glenn.		
8	**Regulatory Framework** Richard Braae shared that the regulatory framework will be on the tax and social policy work program recommended to ministers and has internal support from IR, noting it has not been finalised or shared. Richard shared that the regulatory framework intends to extend IR's boundaries to incorporate new types of intermediaries that do not fit into existing categories and ensure that they have the right tools for dealing with participants in the ecosystem. Richard provided an update on similar work in the UK and Australia but recognised scandals have driven this. Members recognised that these efforts have trended towards changes impacting tax agents. Richard noted that IR is moving their thinking back towards a single category for intermediaries as they see a convergence between the tax agents and DSPs. Members discussed the difference between regulating individuals utilising machines and machines themselves. DSPs support forms and fields in software and perform calculations, trusting that the customer understands their obligations and has entered the right information. Members suggested that a problem area is DSP's support desks giving tax advice. Members shared that this is why DSPs are interested in safe harbour provisions, as they recognise that	Richard Braae (Inland Revenue)	

	customers use software to do the right thing and have likely made best efforts to meet their obligations but acknowledge that mistakes can happen. Members encouraged IR to think about how they would apply requirements to Excel with Copilot enabled as they could be categorised similarly to DSPs leveraging AI. The group discussed how obligations could apply at a category or activity level rather than to types of intermediaries. It was noted that it would be hard for Inland Revenue to apply the information security requirements designed for DSPs to businesses or groups of individuals. Members recognised that IR may be the first revenue agency to introduce changes to how they define intermediaries, which will come with unique challenges. Members shared that refining the definition of tax advice would provide policy certainty. Members discussed that many tax rules are unclear and that efficiency and effectiveness in the ecosystem are more important than getting things right 99.9% of the time. They also discussed with increasing participants in the ecosystem that individuals currently have liability and circumstances where DSPs could be. It was recognised that DSPs have commercial contracts with their customers around liability and that DSP terms of use with Inland Revenue are another component of regulating DSPs. Members suggested differentiating between providers with or without API integrations and whether they send, receive or perform both roles and the user overlay. Members raised that IR should be willing to adjust current frameworks to ensure there is no appeal or ability to renegotiate, such as removing the Commissioner's discretionary powers for certain activities or processes. Richard shared that IR expects to consult formally with external stakeholders in April-June 2025 at the earliest.	
9	**LUNCH**	
10	**Fringe Benefits Tax Review** Bary Hollow provided an overview of the complexities in complying with FBT and shared insights from IR's review. Bary outlined the following opportunities to improve FBT from the review, including: ● Broaden the base but lower rates ● Enhanced data capture ● Simplify complexities ● Apply benefits instead of remunerations ● Accommodating new ways of working.	Bary Hollow (Inland Revenue)

	Bary noted that a cross-sector working group with private-sector organisations will produce a findings document in October/November. Bary shared that motor vehicles and other benefits are the most complicated FBT areas and have been the focus for IR. Members discussed the following: ● There are currently no natural systems for capturing motor vehicle data but recommended potential external sources for gathering data ● The review working group does not support FBT reporting becoming an employer obligation ● FBT is disappearing globally ● Changes to FBT will require changes to software, and collecting more data will create complexity for DSPs ● The ability to file FBT is not currently available in gateway services ● Options to move forward may include changing the legislation and allowing time for the market to produce data in natural systems or developing a new tax that solves the same policy outcome.	
11	**DSP Terms and Conditions** Maggie Leese provided an overview of previous discussions at the DAG and the working group that has drafted an uplifted set of DSP Terms and Conditions that have been shared with the Gateway Services and Digital Ecosystem Strategy teams for review. The draft terms and conditions have been designed to provide an uplift that meets the expectations of DSPs. The group discussed how they would evolve in the future and the current limitations in operationalising them. Members discussed the following: ● Signing the terms formalises the relationship between IR and DSPs - the developer who registers for gateway services is the wrong contact within a DSP to acknowledge terms currently ● The draft does not compare to the Australian terms and noted that other jurisdictions go further and include SLAs ● DSPs could readily implement the draft ● IR could collect the information outlined in the draft by enabling functionality within service now. The group discussed what happens when a software issue impacts customers, recognising that DSPs cannot talk to IR on behalf of taxpayers like tax agents can. DSPs acknowledged that they would talk to IR about the issue itself and would help to share information about impacted taxpayers where appropriate. If a problem occurs, DSPs have contracts with	Maggie Leese (DSPANZ)

		their customers and would ask the Commissioner for a safe harbour for affected taxpayers to ensure they do not get penalised for a software issue. There was further discussion about how Inland Revenue can better understand and audit DSP software. DSPs recognised that onboarding requirements, future security requirements and information sharing under the terms and conditions would satisfy Inland Revenue that DSPs are acting appropriately in the ecosystem. Maggie acknowledged that uplifting the terms and conditions would be an ongoing conversation and invited further feedback from DSPs and IR. Anil Srinivasa noted that IR will share the draft document as part of the risk management and security program with the Executive team in early December.	
12	**Technology Strategy Update** Brijesh John provided an update on IR's technology strategy and an overview of their future direction. Brijesh noted that the last technology strategy was during business transformation. Brijesh shared IR's strategic business initiatives, acknowledging external drivers and global trends. Key themes of the technology strategy included: ● Driving value through data and analytics while maintaining and increasing trust and confidence in the system ● Investing in services to be more widely available and ensuring the correct settings are in place to access services ● DSPs are key to how Inland Revenue builds out this strategy. Members said they would appreciate IR sharing a copy of the digital strategy on a page with DAG members. The group discussed the following: ● DSPs are interested in understanding IR's fraud models, given they are key to supporting prevention and detection measures ● Accounting software is not necessarily a natural system, and IR should consider platforms such as point of sale where the business happens ● If IR wants to access DSP data more broadly, it would need to be purpose-driven and under a legislative power ● Recognised that the ATO used to be leaders in their technology ● DSPs would acknowledge where they use particular AI technology with IR but would not provide detailed information due to commercial sensitivities.	Brijesh John (Inland Revenue)

	Members were asked to contact Anil Srinivasa to discuss the technology strategy further with Brijesh.	
13	**AFTERNOON TEA BREAK**	
14	**Accessible & Inclusive Software Design** Paul Orford provided an overview of accessible and inclusive software design and current requirements for New Zealand government organisations, such as providing content in Māori. There are accessibility requirements in the UK that apply to digital services that connect to HMRC, which effectively extend to DSPs connecting via APIs. Similarly, the US and California have detailed regulations. Drawing on these examples, Paul asked the group what would happen if the accessibility requirements currently applying to government services were extended to DSPs. DSPs recognised shifts to more accessible and inclusive software development but noted the associated costs. One of the biggest challenges noted was translation and making multiple languages available in software. The group discussed that moving more interactions towards natural business systems means less interaction with myIR, which must meet government accessibility requirements. DSPs indicated they would like to participate in conversations IR may have about accessibility requirements applying to the tax ecosystem. DSPs continue to watch these global trends and the impacts of requirements filtering down the supply chain. The group discussed Māori data sovereignty and how DSPs meet these requirements. Many DSPs have agreements to store backups in New Zealand, but it was noted that this may not be the primary data storage location for all DSPs. Members noted there would be impacts to DSPs if these agreements were revisited.	Paul Orford (ReadyTech & DSPANZ)
15	**Updates from OECD** Anil Srinivasa shared an update and insights from attending the OECD Tax Administration 3.0 Working Group Meeting. Anil highlighted the technology leveraged in other countries to streamline processes and solve challenges. In the context of digital identity, Anil also raised conversations about transferring information between jurisdictions and how self-sovereign identities are being viewed as a preferred identity solution. Anil noted an upcoming paper on AI governance and taxpayer's rights. Members discussed rules as code and previous work	Anil Srinivasa (Inland Revenue)

	undertaken by IR. DSP members suggested that changes to FBT could be an avenue to test rules as code.	
16	**DAG EOI for 2025** Maggie Leese announced that the expressions of interest have opened to join the DAG in 2025. More information is available on the [DSPANZ website](#). Maggie shared that Allen Knight will be stepping down as the DSP Co-Chair, and Tim Kirkpatrick will take on the role for 2025.	Maggie Leese (DSPANZ)
17	**Any other business** Maggie Leese noted that the change management agenda item was dropped during the meeting due to time constraints. Shantanu Dutta shared that slides will be sent alongside the minutes for members to review and send through any feedback.	Maggie Leese (DSPANZ)
18	**Meeting close** Anil Srinivasa thanked members for their attendance and called on Mark Tapara for a closing karakia.	Anil Srinivasa (Inland Revenue), Mark Tapara (Inland Revenue)

Actions

Date Raised	Description	Responsible
23.05.2024-1	Provide Tracey Turner with an introduction to John Shepherd from the Australian Department of Finance to discuss Digital ID in the tax ecosystem. **Update 22.08.2024:** DSPANZ will make this introduction shortly. **Update 10.10.2024:** Key contacts have been on leave.	Maggie Leese, Matthew Prouse
22.02.2024-1	Anil Srinivasa and DSPANZ will discuss data minimisation and retention further and report back to the group. **Update 23.05.2024:** Anil will report back to the group post Budget on whether Inland Revenue can progress this work. **Update 22.08.2024:** Inland Revenue will not pick up new initiatives until the end of the year. This item will remain open. **Update 10.10.2024:** Anil acknowledged the information collection framework has been shared with members and will be published in November. Anil will reconnect with the team to understand the resourcing requirements to undertake this work.	Anil Srinivasa, Maggie Leese