



FINANCIAL SERVICES FEDERATION

31 March 2022

Inland Revenue
PO Box 2198
Wellington 6140

By email to: Policy.webmaster@ird.govt.nz

Re: Issues Paper: Tax Administration in a digital world.

Introduction

The Financial Services Federation (“FSF”) is grateful to Inland Revenue (“IRD”), for the opportunity to respond on behalf of our members to the Official’s issues paper to support future tax administration.

By way of background, the FSF is the industry body representing the responsible and ethical finance, leasing, and credit-related insurance providers of New Zealand. We have over 85 members and affiliates providing these products to more than 1.7 million New Zealand consumers and businesses. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A. Data relating to the extent to which FSF members (excluding Affiliate members) contribute to New Zealand consumers, society, and business is attached as Appendix B.

Our submission on this Issues Paper is warranted by our interest in the establishment in the new legislative framework for a consumer data right in New Zealand. Our previous submission in October 2021 to the Ministry of Business, Innovation & Employment (“MBIE”) on their consumer data right proposal outlined our full support of developments that enable consumers to take control of their own data. This perspective will be applied to our submission below, in the context of IRD sharing data with non-government third parties (such as FSF members).

Questions in relation to the topic of data sharing with taxpayer consent will be answered below.

How do you view the concept of sharing sensitive revenue information, subject to taxpayers’ consent?

Consumers have the right to access their own revenue information and subsequently to choose to share it, particularly when data sharing is done to achieve efficiencies through simplifying and streamlining consumers’ financial records.

Although IRD has classed the information in this context as “sensitive”, objectively it is likely to be no more sensitive than the information provided under the proposed consumer data right/open banking framework, as both are dealing with sensitive financial information. The same robust protection and security measures proposed under the consumer data right framework would be applicable in the case of sharing IRD revenue information to non-government entities.

Ensuring both frameworks are consistent and that their respective regulations overlap will ensure the greatest level of compliance. Financial institutions looking towards adopting consumer data right will likely also adopt the digital tax information shared under the proposed digital tax administration framework. If the compliance requirements under both frameworks are similar, financial institutions will find compliance easier and therefore, there should be confidence that financial institutions are able to handle shared data appropriately.

The FSF supports the expanded role for external parties and intermediaries with the enhanced regulatory framework to reflect this. The FSF is of the opinion that obligations on parties to uphold the integrity of the tax system, meet the technical and security standards, and comply with IRD’s testing systems will be met sufficiently.

Ultimately, the FSF sees that the concept of sharing revenue information, subject to taxpayers’ consent, will create a “seamless boundary” between external parties and IRD to provide greater flexibility and convenience to taxpayers and social policy customers. This move to share data more widely is consistent with the Government’s policy to implement consumer data right legislation, and therefore, consistency with IRD data should also be encouraged.

Do you have other examples of how data sharing could be applied beyond the tax system?

The consumer data right framework proposed will be instrumental providing efficiencies to New Zealanders in managing their financial affairs. Data sharing throughout all systems, including IRD’s data, with consumer’s consent is likely to be most efficient and reasonable.

Data sharing between entities, subject to appropriate regulation and the Privacy Act 2020, also removes anti-competitive behaviour in which smaller entities face attempts from larger entities to control customer data to their advantage. The FSF also sees data sharing with consent as being key to diffuse barriers to entering the market.

The FSF sees data sharing beyond the tax system and throughout the financial system, as further establishing the seamless boundary between external parties and Government entities to ensure the utmost flexibility and convenience to taxpayers and social policy customers. Further investment into breaking such boundaries will also allow for further innovation and access to digital services, and automation of obligations for both institutions and consumers.

What do you consider are important elements in a consent framework for data sharing?

For any framework to be efficient, ensuring consumers have sufficient understanding of the consequences of this regime, mitigating noncompliance, and providing education and

guidance will be required. This will require both sufficient education being provided to consumers considering using the sharing of data, and sufficient education to entities who will require system development and implementation to be able to access the data.

As seen in the implementation of the Credit Contract and Consumer Finance Act (CCCFA) in December last year (2021), consumers were provided with minimal and insufficient education on the implications of the regime and the unintended consequences brought with it. As a result much media backlash and dissent surfaced. The onus was then on financial institutions to develop strategies and educational objectives to inform consumers on the changes. The FSF produced a resource to consumers to explain the changes in the absence of any information about them coming from Government.

The time required to be spent on education of consumers on the Government's decisions required additional human resource as well as those already required to actually implement and comply with the CCCFA reforms. In order to minimise such effects, and re-connect and establish trust with consumers, education provided to them regarding what will be required of them from this framework for data sharing will be essential.

Do you agree making tax debt data more available, with controls, will have a significant positive benefit for wider business community?

The FSF strongly agrees that it will. Access to this information significantly increases the capabilities that financial institutions have to make informed decisions because they have access to better information on the position of the consumer which leads to greater financial wellbeing on behalf of the customer.

This will then impact positively on financial entities and their ability to make quick, timely and efficient, and comprehensive assessments on consumers, reducing human intervention and barriers to credit and financial services.

Making such tax debt data available also ensures information provided to financial institutions is more comprehensive and therefore more credible, and ensures entities, at the smaller scale of the market, are able to provide services to their customers in as efficient a manner as the larger institutions who already have more complex capabilities and systems. Effectively reducing barriers to smaller entities ensures a more competitive market.

The distribution of data will inevitably become more digital and more accessible. Allowing New Zealand to lead in this respect would be a monumental modern and efficient change for our tax system evolves. The automation of processes has become a natural progression of the modern world as we seek to increase productivity and innovation. Reducing human intervention and complex judgements will advance our financial services system and allow us to further develop innovative products and services to then lead our economy's capabilities further.

Conclusion

On the basis that such a framework will:

- Progress the economy's productivity;
- Eliminate competition barriers for smaller entities;

- Empower more rights for customers over their data ;
- Be consistent with the incoming consumer data rights framework proposed;
- Produce opportunity for innovation of products and services; and
- Allow for a more efficient and comprehensive credit system

The FSF is of the opinion that this framework, particularly the proposal to share data with non-government third parties, should be instituted along with the consistent consumer data right framework.

Please do not hesitate to contact me if you wish for us to speak further to any points made above.

Yours sincerely,

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned below the text "Yours sincerely,".

Diana Yeritsyan
Legal and Policy Manager



FINANCIAL SERVICES FEDERATION

Appendix A

FSF Membership List as at 31 January 2022

Non-Bank Deposit Takers, Insurance Premium Funders,	Vehicle Lenders	Finance Companies/ Diversified Lenders	Finance Companies/ Diversified Lenders, Leasing Providers	Credit Reporting, Debt Collection Agencies, Insurance Providers	Affiliate Members
<p>XCEDA (B)</p> <p>Finance Direct Limited ➤ Lending Crowd</p> <p>Gold Band Finance ➤ Loan Co</p> <p>Mutual Credit Finance</p> <p><u>Credit Unions/Building Societies</u></p> <p>First Credit Union</p> <p>Nelson Building Society</p> <p>Police and Families Credit Union</p> <p>Steelsands Credit Union Inc</p> <p>Westforce Credit Union</p> <p><u>Insurance Premium Funders</u></p> <p>Elantis Premium Funding NZ Ltd</p> <p>Financial Synergy Limited</p> <p>Hunter Premium Funding</p> <p>IQumulate Premium Funding</p> <p>Rothbury Instalment Services</p>	<p>AA Finance Limited</p> <p>Auto Finance Direct Limited</p> <p>BMW Financial Services ➤ Mini ➤ Alphera Financial Services</p> <p>Community Financial Services</p> <p>European Financial Services</p> <p>Go Car Finance Ltd</p> <p>Honda Financial Services</p> <p>Kubota New Zealand Ltd</p> <p>Mercedes-Benz Financial</p> <p>Motor Trade Finance</p> <p>Nissan Financial Services NZ Ltd ➤ Mitsubishi Motors Financial Services ➤ Skyline Car Finance</p> <p>Onyx Finance Limited</p> <p>Toyota Finance NZ</p> <p>Yamaha Motor Finance</p>	<p>Avanti Finance ➤ Branded Financial</p> <p>Basalt Group</p> <p>Basecorp Finance Ltd</p> <p>Blackbird Finance</p> <p>Caterpillar Financial Services NZ Ltd</p> <p>Centracorp Finance 2000</p> <p>Finance Now ➤ The Warehouse Financial Services ➤ Southsure Assurance</p> <p>Humm Group</p> <p>Future Finance</p> <p>Geneva Finance</p> <p>Harmony</p> <p>Instant Finance ➤ Fair City ➤ My Finance</p> <p>John Deere Financial</p> <p>Latitude Financial</p> <p>Lifestyle Loans NZ Ltd</p> <p>Metro Finance</p> <p>NZ Finance Ltd</p>	<p>Pepper NZ Limited</p> <p>Personal Loan Corporation</p> <p>Pioneer Finance</p> <p>Prospa NZ Ltd</p> <p>Smith's City Finance Ltd</p> <p>Speirs Finance Group ➤ Speirs Finance ➤ Speirs Corporate & Leasing ➤ Yoogo Fleet</p> <p>Thorn Group Financial Services Ltd</p> <p>Turners Automotive Group ➤ Autosure ➤ East Coast Credit ➤ Oxford Finance</p> <p>UDC Finance Limited</p> <p><u>Leasing Providers</u></p> <p>Custom Fleet</p> <p>Fleet Partners NZ Ltd</p> <p>ORIX New Zealand</p> <p>SG Fleet</p>	<p>Baycorp (NZ) ➤ Credit Corp</p> <p>Centrix</p> <p>Collection House</p> <p>Debtworks (NZ) Limited</p> <p>Equifax (prev Veda)</p> <p>Illion (prev Dun & Bradstreet (NZ) Limited</p> <p>Intercoll</p> <p>Quadrant Group (NZ) Limited</p> <p><u>Credit-related Insurance Providers</u></p> <p>Protecta Insurance</p> <p>Provident Insurance Corporation Ltd</p>	<p>Buddle Findlay</p> <p>Chapman Tripp</p> <p>Credisense Ltd</p> <p>Credit Sense Pty Ltd</p> <p>Experian</p> <p>EY</p> <p>FinTech NZ</p> <p>Finzsoft</p> <p>Happy Prime Consultancy Limited</p> <p>HPD Software Ltd</p> <p>KPMG</p> <p>LexisNexis</p> <p>Motor Trade Association</p> <p>PWC</p> <p>Simpson Western</p> <p>Verifier Australia</p> <p>Nectar NZ Ltd</p> <p>Total 85 members</p>

Appendix B



FINANCIAL SERVICES FEDERATION

The Financial Services Federation (FSF) is the non-profit industry association for responsible and ethical finance, leasing and credit-related insurance providers operating in Aotearoa New Zealand.

47%

Of personal consumer lending in Aotearoa is financed by the non-bank sector represented by FSF members

55%

Of loans by FSF members are approved, demonstrating careful consideration of responsible lending

2016 → 5.8%

Loan book in arrears

2021 → 4.4%

8.2B

Member's total assets consumer lending

1.7M

of consumer loans of FSF members

7.2B

Member's total assets business lending

219k

Business loans helping Kiwi businesses to achieve their goals

4,114

Jobs provided by FSF lending members