

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
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[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Treasury Report: Advice on building an interactive web application for Budget 2017 tax and transfer changes

Date:	28 March 2017	Report No:	T2017/814
		File Number:	SH-13-5-2-3

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Steven Joyce)	Agree to Inland Revenue developing a web application for Budget 2017.	Monday, 3 April 2017
Associate Minister of Finance (Hon Simon Bridges)		
Associate Minister of Finance (Hon Amy Adams)		

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Christopher Ball	Senior Analyst, Tax Strategy [39]	(wk) [23]	(mob) ✓
Suzy Morrissey	Acting Manager, Tax Strategy [39]	(wk) [23] (mob)	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Advice on building an interactive web application for Budget 2017 tax and transfer changes

Executive Summary

On 27 March you asked about an interactive web application for individuals to assess their situation before and after some of the Budget 2017 tax and transfer changes under consideration. Modelling the tax and transfer system is complex. Therefore we need to achieve a balance between a tool that is quick (in terms of user entry) and is accurate enough so it does not materially misrepresent the impact of these changes for large sections of the population.

We propose a calculator that measures the impact of tax threshold, Family Tax Credit (FTC) and Independent Earner Tax Credit (IETC) changes. Accommodation Supplement, Temporary Additional Support and other subsequent impacts of the package have been excluded from scope, which is roughly 20% of the total cost of the package.

Inland Revenue would be the appropriate lead agency for developing a calculator. We estimate the cost for the required website infrastructure to be between \$50,000 and \$100,000 (based on similar previous projects) with internal staff costs and any incidental costs in addition to this amount. A better estimate of cost will be provided once Inland Revenue have finished scoping the project and the final package has been approved.

Inland Revenue have requested urgent direction on whether to proceed with preparatory work for the calculator.

Recommended Action

We recommend that you:

- (a) **agree** to commission Inland Revenue to develop an interactive web application for individuals to assess their situation before and after some of the tax and transfer changes under consideration

Agree/disagree.

- (b) **note** that there will be costs associated with an interactive web application and these are yet to be determined.

Noted

Suzy Morrissey
Acting Manager, Tax Strategy

Steven Joyce
Minister of Finance

Hon Simon Bridges
Associate Minister of Finance

Hon Amy Adams
Associate Minister of Finance

Treasury Report: Advice on building an interactive web application for Budget 2017 tax and transfer changes

Purpose of Report

1. This report provides the advice you requested on 27 March about developing an interactive web application for individuals to assess their situation before and after some of the Budget 2017 tax and transfer changes under consideration. We have included scoping options and the risks associated with developing a web application in time for Budget 2017.
2. We have subsequently identified Inland Revenue as the appropriate lead agency for developing the calculator. Inland Revenue have requested urgent direction on whether to proceed with preparatory work for the calculator.

Background

3. A calculator for a Budget 2017 tax and transfer package is intended provide a comprehensive, interactive and easy-to-use tool which enables individuals and families to assess how they are affected. The intent is to help communicate technical changes to a broad audience, increasing the transparency of the Budget process.
4. Modelling the tax and transfer system is complex. Therefore we need to achieve a balance between a tool that is quick (in terms of user entry) and is accurate enough so it does not materially misrepresent the impact of these changes for large sections of the population.
5. Inland Revenue and MSD have existing calculators available on their webpages for estimating tax obligations and eligibility to Working for Families (WFF) and Accommodation Supplement (AS).
 - a. Tax on annual income: <http://www.ird.govt.nz/calculators/tool-name/tools-t/calculator-tax-rate.html?id=homepage>
 - b. Working for Families: <http://www.ird.govt.nz/calculators/tool-name/tools-e/calculator-wfftc-estimate-2017.html?id=homepage>
 - c. Accommodation Supplement and Childcare Assistance: <http://www.workingforfamilies.govt.nz/calculator/index.jsp>
6. The proposal is to develop a simpler calculator, leveraging off the existing tools to show the impact of some of a Budget package.

Scope

7. We propose a calculator that measures the impact of tax threshold, Family Tax Credit (FTC) and Independent Earner Tax Credit (IETC) changes. Accommodation Supplement, Temporary Additional Support and other subsequent impacts of the package have been excluded from scope, which is roughly 20% of the total cost of the package.

8. Inland Revenue is best placed to lead the technical development of this calculator as they:
 - a. administer the components within scope;
 - b. have the necessary data to provide advice on the number of people affected by overestimates which a tool may provide; and
 - c. maintain the existing calculators which will form the base of the final tool.
9. Subject to confirmation from Inland Revenue, the calculator will overestimate the entitlement for the Working for Families component of the package. This is a necessary trade-off to minimising user-burden and deliver a web application within the time frame available. Other caveats are likely to be similar to those provided with the existing calculators on the Inland Revenue website.
10. Inland Revenue has indicated a tool can be delivered by Budget day. The calculator will need to be hosted using the existing Inland Revenue website, but can be linked to from another website.
11. To deliver the tool for Budget day Inland Revenue are requesting a stop/go decision as soon as possible, and certainty on specific requirements (i.e. the details of the changes) within a few weeks.

Proposed Approach

12. Within the timeframes available and the scope detailed above, Inland Revenue are the best lead agency for the development of the calculator, with support from Treasury where necessary.
13. To minimise the risk of a service outage an external IT provider with expertise in stress testing websites may need to be contracted. We expect to be able to provide further details on this after consulting with Inland Revenue. Based on similar projects we estimate the cost to be between \$50,000 and \$100,000.

Costs

14. A better estimate of cost will be provided once Inland Revenue have finished scoping the project and the final package has been approved. This estimate will not include the cost of reprioritising internal agency resource to support the development of the calculator, which is expected to be covered within baseline.

Risks

15. There are a number of risks that could affect the delivery of the web application or advice for part of a Budget 2017 tax and transfer package. They include:
 - a. That the application provides poor value-for-money. There will be a significant cost incurred to deliver the web application, which has little enduring value beyond its use following the initial Budget announcement.
 - b. The development process may not be robust enough with the limited time available.

- c. The web application may not accurately represent the impact of a Budget package, particularly for people whose circumstances change over the year. This could erode confidence in the Budget communications and trust in MSD/Inland Revenue.
- d. The web application may not handle the peak demand on Budget day, causing a potentially embarrassing outage, as seen with the Australian Census. This risk is magnified by the limited time available and the difficulty designing a robust development cycle.
- e. Risk to delivering core Budget advice on the tax and transfer package from diverting specialist resource to the web application. Many of the people who would need to provide technical input to the web application are the same people who are providing technical input to the policy modelling, and there is limited scope for increasing resource in this area before Budget.

Summary

- 16. On balance, we consider there is value in developing and publishing a tax and transfer calculator. However, we note the timeframe before Budget 2017 is very short, and this presents a number of risks to a successful delivery.
- 17. Discussions are ongoing with Inland Revenue to determine the feasibility, potential costs, and any other risks associated with a tax and transfer calculator and we will provide you with more details shortly.