

eJournal of Tax Research

Volume 13, Number 1

March 2015

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Information sharing by government agencies: The effect on the integrity of the tax system

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Abstract

Inland Revenue (IR) in New Zealand is currently increasing its information sharing activity with other government departments and agencies. This is in line with the New Zealand government's Better Public Services programme, and will improve the quality and speed of IR's services to business and individual customers, and support other government departments in meeting their objectives.

IR was aware that customers would be sensitive about how information sharing by government departments would affect their right to privacy. Therefore, to contribute to its policy development, IR researched views of the general public, businesses, cultural groups, tax agents and law groups in five studies conducted between 2010 and 2013. These studies included two multi-method studies involving quantitative surveys and qualitative interviews and three qualitative studies. This paper combines the findings from all five studies, with a particular emphasis on the three most recent studies:

1. Public perspectives on sharing of individuals' information to combat serious crime
2. Cultural perspectives from Māori, Pasifika and Asian communities on the sharing of individuals' information
3. Businesses and key informants' perspectives on the sharing of businesses' information.

The key findings were that:

- There was cautious support for cross-government information sharing, balanced with a strong desire for privacy, particularly regarding income and debt information.
- Participants' perceptions regarding the integrity of the tax system were most positively influenced by scenarios of IR being involved in information sharing targeting.
- Protecting public monies (especially from tax and benefit fraud).
- Ensuring customers receive their correct entitlements.
- Making it easier for customers to deal with their tax matters.
- The main concerns were regarding the potential misuse of information by government agencies, the accuracy of the information, and the security of government agencies' information handling processes.
- There was a desire for transparency of information sharing processes, and customers to be asked for consent for information sharing where feasible.

IR will use these findings in developing its policies and processes for increased information sharing with other government agencies, paying particular attention to the areas of risk to public perceptions of the integrity of the tax system.

* The authors are all members of The New Zealand Inland Revenue's Research and Evaluation Unit. We gratefully acknowledge the valuable research and analysis provided by researchers from Victoria University of Wellington, Litmus, and Research New Zealand for four of the five studies detailed in this paper.

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1. INTRODUCTION

Tax administrations worldwide have arrangements for sharing taxpayers' information with other government departments and agencies. Most of these arrangements are aimed at preventing fraudulent activities and ensuring taxpayers receive their correct social assistance entitlements, but there are also some arrangements for law enforcement, countering terrorism, and policy development purposes.⁵ By sharing information, tax administrations not only improve their own outcomes, they also contribute to other agencies' goals, thus improving the public service overall.

Government agencies are expected to continuously improve their services,⁶ and opportunities for information sharing are increasing as information technology advances. It follows that New Zealand's government departments and agencies, including Inland Revenue (IR), are developing new information sharing initiatives.

However, information sharing carries considerable concerns about privacy of information:

[Information sharing] runs counter to two of the most fundamental principles of data protection — that personal information should be collected directly from the individual to whom it pertains, and should only be used for the purpose for which it was collected [with limited exceptions]. Data sharing respects neither of these principles. Data sharing involves information that has been collected indirectly, and used for a purpose which may not have been intended at the time of the original collection.⁷

Countries have developed legislation to respond to the contradiction between information sharing and privacy protection. In New Zealand, the rules controlling IR's sharing of taxpayer information are detailed in the Tax Administration Act (1994) which allows IR to share taxpayer information only for very specific purposes. IR also observes the information privacy principles of New Zealand's Privacy Act (1993).⁸ In addition, IR considers whether the taxpayer would consider the information to be highly sensitive, and whether the information sharing will benefit the taxpayer, the recipient government agency, or the wider public. IR is aware that taxpayers are reluctant to relinquish any information privacy unless there are clear public benefits.⁹ IR needs to maintain taxpayers' confidence in its management and use of their information so taxpayers will continue to provide full and frank information to IR.¹⁰

Research to date on cross-government information sharing has shown that the public generally knows little about government agencies' practices for managing and sharing

⁵ Litmus (2011) (Litmus is a market research company).

⁶ The New Zealand Government launched a 'Better Public Services' initiative in 2012 (see State Services Commission, 2012) which included targets for improved digital services for government agency customers.

⁷ Wright, T. (1995).

⁸ While IR observes the principles in New Zealand's Privacy Act (1993), the information privacy rules in New Zealand's Tax Administration Act (1994) take priority. Some information sharing by IR runs counter to the Privacy Act principles but is allowed under the Tax Administration Act.

⁹ In UMR (2010), 61% of the general public was concerned about government agencies sharing information with other government agencies.

¹⁰ Braithwaite, V. (2003), Hazell, R. & Worthy, B. (2009), and Lips, M., O'Neill, R., & Eppel, E. (2009)

information,¹¹ and tends to overestimate how much information sharing currently happens.¹²

The studies showed consistently that people want government agencies to:

- share only the information that is strictly necessary¹³
- be transparent about their storage, management and sharing of customer information¹⁴
- use their information for the purposes intended¹⁵
- where possible, ask customers for their consent prior to their information being shared with other government agencies.¹⁶

In the context of increased e-services from government agencies, and changing information technology, IR wanted to understand how the public viewed IR's involvement in cross-government information sharing. This included key questions regarding the impact of information sharing on people's views of the integrity of the tax system.

2. METHOD

The core research questions underpinning all five studies included in this paper are:

1. What benefits and risks do people see in information sharing between government agencies?
2. What impact would an increase in information-sharing have on perceptions of the integrity of New Zealand's tax system?

Specific aims for each study are included in the methodology descriptions below.

2.1.1 *Study 1: Public attitudes to the sharing of personal information in the course of online public service provision*

Aim: To gather views of information sharing in the context of accessing public services online.

Methodology:

- Qualitative (focus groups), n=63 participants from the general public.
- Included a literature review conducted to provide points of comparison for the findings.

¹¹ Thomas, R. & Walport, M. (2008), and Whiddett, R., Hunter, I., Engelbrecht, J., & Handy, J. (2005).

¹² Ministry of Health (2010).

¹³ Lips et al. (2009) and Whiddett et al. (2005)

¹⁴ Ministry of Health (2010), Whiddett et al. (2005), and Thomas, R. & Walport, M. (2008).

¹⁵ Whiddett et al. (2005), and UMR (2010) (UMR is a market research company).

¹⁶ Thomas, R. & Walport, M. (2008), Department of Internal Affairs (2009), and Whiddett et al. (2005).

- Conducted in May and June 2010 (Lips, Eppel, Cunningham, & Hopkins-Burns).

2.1.2 *Study 2: The impact of change on the integrity of the tax system*

Aim: To explore the potential impact of increasingly joined-up government services, new information technology and changes in information sharing legislation on people's views of the integrity of the tax system.

Methodology:

- Qualitative (face-to-face interviews and focus groups), n=59 participants, included senior IR staff, tax and law experts, and a cross section of the general public.
- Included a literature review conducted to inform the research design.
- Conducted from April to June 2011 (Litmus).¹⁷

2.1.3 *Study 3: Cross-government information-sharing to identify, stop or disrupt serious crime*

Aim: To gather views on cross-government information sharing to stop serious crime.

Methodology:

- Qualitative (face-to-face and telephone interviews)
 - o N=48 participants, included business owners, and representatives from government agencies, tax and law firms, media and communication technology fields.
 - o Conducted in May and June 2012 (Litmus and the authors).
- Survey
 - o Online survey, n=323 respondents, included business owners, government agencies, tax and law firms, media and communications.
 - o Margin of error of $\pm 5.5\%$ (at 95% confidence level).¹⁸
 - o Conducted in June and July 2012 (Litmus).

2.1.4 *Study 4: Information sharing between government agencies—cultural perspectives*

Aim: To explore cultural considerations for Māori,¹⁹ Pasifika and Asian peoples regarding cross-government information sharing.²⁰

¹⁷ Litmus is a market research company.

¹⁸ The response rate for this online survey was calculated as an 'adjusted rate' of 71%, using a calculation that removed all non-responses from the total sample (i.e. non-responses due to invalid email addresses or people self-selecting as not being the right person to complete the survey).

¹⁹ In accordance with New Zealand's Treaty of Waitangi, this study had more emphasis on the views of Māori than Pasifika and Asian participants. These are the three largest population groups in New Zealand apart from European New Zealanders.

²⁰ Note –This study was small-scale and exploratory, meaning that it is not intended to provide a full understanding of the views of Māori, Pasifika and Asian peoples on information sharing.

Methodology:

- Qualitative (face-to-face interviews and focus groups).
- N=38 participants, included community cultural representatives, IR staff, and members of relevant government organisations.
- Included a literature review to inform the research design.
- Conducted in February and April 2013 (the authors).

2.1.5 *Study 5: The impact on the integrity of the tax system of IR sharing information with other public sector organisations; NZ businesses' perspective*

Aim: To gather business owners' views on how sharing businesses' information across government affects perceptions of the integrity of the tax system.

Methodology:

- Qualitative
 - o Face-to-face and telephone interviews, n=21 participants, included business owners, business 'leaders', professional business groups, and business 'service providers'
 - o Conducted in February and March 2013 (Research New Zealand).²¹
- Telephone and online survey
 - o N=573 respondents (business owners)
 - o Response rate 21% (telephone survey only)²²
 - o Margin of error of $\pm 4.7\%$ (at 95% confidence level)
 - o Conducted in April and May 2013 (Research New Zealand).

2.2 Limitations of this research

The overall rationale for the five studies was to investigate attitudes regarding cross-government information sharing and the integrity of the tax system. These studies included discussion of the likely effects on behaviour, such as customers providing full and frank information to IR, but did not extend to investigating actual behavioural change.

All five studies involved qualitative research which is not generalizable, although the results are indicative for similar population groups and situations. Further, three studies incorporated focus groups, which tend to create 'group think' where participants' comments and possibly their opinions are shaped by the interaction with the other group participants.

²¹ Research New Zealand is a market research company.

²² The response rate for the online survey stage was not calculated. The survey involved sending a written invitation to the research sample to do the survey online, and then following-up after one week with a telephone call to offer to conduct the survey by telephone.

Both of the multi-method studies included online surveys which generally have low response rates due to a range of factors such as incorrect email addresses in the research sample, people opting out if they believe they are the wrong person to answer the survey, and people being averse to using the online survey technology.

We also note that participants' attitudes at the time of the studies may have been influenced by media articles highlighting information security breaches involving government agencies. Privacy and information sharing are highly emotive topics for the general public.

3. RESULTS

This report describes the findings of our research in two main sections. The first section details the findings from the first two studies which, together, build a picture of how various stakeholders and the general public perceive cross-government information sharing and their views of its impact on the integrity of the tax system.

The second section details the findings from the three most recent studies, each of which investigated divergent aspects of cross-government information sharing, namely: information sharing to combat serious crime; cultural perspectives on sharing personal information; and the sharing of businesses' information.

3.1 Studies 1 and 2: The public's views of government information sharing

IR conducted two initial studies on public views of cross-government information sharing: Study 1 — on the public's views of information sharing in the context of online public services;²³ and Study 2 — on the public's views of information sharing in the context of changing information technology and increasingly joined-up government services.²⁴ Together, these studies provide a good overview of the public's attitudes regarding information sharing.

Both studies found that the general public cautiously supported increasing certain types of cross-government information sharing. The perceived benefits include:

- Protection of public monies
- Ensuring customers receive entitlements
- Improving government agency efficiency
- Making service interactions or meeting obligations easier for customers
- Better public health and safety.

The concerns centre on privacy and trust in government agencies. The following sections describe these perceived benefits and concerns in more depth.

²³ Lips, Eppel, Cunningham, & Hopkins-Burns (2010).

²⁴ Litmus (2011).

3.1.1 *Protection of public monies*

Both studies found that participants strongly disliked “people ripping off the system”, particularly through tax or benefit fraud, and through avoiding paying fines. Participants stated that they were inclined to overlook “low-value” fraudulent activity, but they did not accept it when it reached the level of “hundreds of dollars” per week. Interestingly, participants who were beneficiaries generally supported cross-government information sharing to combat benefit fraud.

Participants expected government departments to share information to curb this, and they expected IR to be a key agency in such information sharing as part of maintaining the integrity of the tax system.

3.1.2 *Ensuring customers receive entitlements*

Studies 1 and 2 also found that there was a strong expectation that government information sharing would help to ensure customers received their correct financial and service entitlements. This was particularly true for customers who need assistance from multiple agencies. This expectation was particularly mentioned by younger participants in reference to customers not always knowing their entitlements or how to access them.

3.1.3 *Improving government agency efficiency*

Other expected benefits of cross-government information sharing were that sharing anonymous statistical information would aid government departments and agencies in evaluating their services, developing new policies and initiatives, and providing the right services to the right customers in the right locations.

Further, participants expected cross-government information sharing to offer cost efficiencies through minimising the duplication of effort by different agencies and improving the accuracy of the information they hold.

3.1.4 *Making it easier for customers*

Both studies found that people made clear associations between information sharing and easier customer interactions with government agencies. This is particularly relevant for customers with multiple social policy interactions with different government agencies. Potentially, they can become frustrated at ‘making too many calls to too many people’.

In discussing this issue, some participants described ‘clusters’ of government agencies which they viewed as appropriate for sharing specific types of customer information. For instance, participants described an ‘income/social policy’ cluster which included IR, the Accident Compensation Corporation and Ministry of Social Development. Another example was an ‘enforcement’ cluster which included New Zealand Police, Courts and the Immigration Service.

3.1.5 *Better public health and safety*

One further benefit highlighted in these studies was that cross-government information sharing can mitigate some risks to public health and safety. In particular, participants saw advantages for: better coordination of health care services; faster responses in

domestic violence and child protection cases; and improved crime reduction and countering terrorism threats.

3.1.6 *Concerns—privacy and trust in government agencies*

Both studies pointed to the importance of customers' trust in government agencies to act in their best interests. The majority of participants, and especially the salary and wage earners and retirees, were satisfied that New Zealand's government agencies were acting in their best interests. Interestingly, they tended to assume there was considerable cross-government information sharing currently taking place, but acknowledged that they knew very little about what information is held by government agencies and what information sharing actually happens.

Some participant groups had markedly lower trust in New Zealand's government agencies than others, particularly, Māori, Pasifika, self-employed people and beneficiaries. These participant groups were noted as having higher overall levels of interaction with government agencies and/or higher dependency on financial and service entitlements, and some felt powerless when dealing with government agencies and did not feel that the government was working for them.

In addition, most participants simply regarded certain types of information as private regardless of their trust levels. Importantly for IR, income information is described as particularly sensitive and private. For instance, one participant who was a beneficiary felt "shame" over being poor, and one Pasifika participant described income privacy as "part of their culture". Regarding tax specifically, tax professionals from both the accounting and legal professions were especially keen to maintain tax secrecy. They stated that, because taxpayers are legally obliged to supply IR with their income information rather than voluntarily providing it, it follows that IR is obliged to keep that information secret.

Participants believed that appropriate cross-government information sharing relies on agencies having very strong information security safeguards. They expected government agencies to only ask for information that is strictly necessary, and to only use information for the purpose intended at the time it was gathered with very few exceptions. This can be understood as an evaluation of the information sharing action as being 'fit for purpose'. While participants tended to believe IR had a good record of information privacy, they were concerned that other government agencies 'did not have the same respect for information as IR'.

3.2 **Studies 3–5; Investigating specific aspects of information sharing**

This section details the findings from the three most recent studies conducted to investigate specific aspects of information sharing. Due to the divergent aims of the studies, each one is detailed separately.

3.2.1 *Study 3: Combating serious crime*²⁵

This study focused on cross-government information sharing to combat serious crime. It included a survey and qualitative interviews. Four hypothetical scenarios were tested to identify the boundaries of acceptable information sharing. Three scenarios

²⁵ Litmus (2012).

were focused on financial crime (property obtained from crime, money laundering and fraud), and one was focused on safety (sex offending). The four hypothetical scenarios tested were as follows:

Scenario 1. IR discovers information during an audit about property obtained from crime and shares this with New Zealand Police.

Scenario 2. IR is involved in a taskforce combating money laundering with agencies such as New Zealand Police and the Serious Fraud Office and shares information about individuals and businesses under investigation. There are also links to Australia so the taskforce also passes this information to the Australian Police.

Scenario 3. IR has a system of scoring the likelihood of an individual being involved in tax evasion, and shares that with the New Zealand Police for profiling regarding serious crime.

Scenario 4. IR is able to find links between individuals and uses this to assist the Department of Internal Affairs to find which people are connected to a ring of sex offenders.

As a general principle, all participants stated that they wanted ‘some form’ of cross-government information sharing activity to occur when serious crimes are suspected, particularly with regard to sex offending. They felt that addressing serious crime was important enough to override the privacy concerns of the (hypothetical) individuals involved.

Some participants described the ideas presented (such as the taskforce on money-laundering and the use of ‘known linkages’ between citizens) as innovative and giving a positive impression of ‘joined-up’ government services.

3.2.2 *Concerns with the scenarios addressing serious crime*

Some participants were concerned that the scenarios involved sharing more than the strict minimum of information (such as address and contact details). Participants stressed that agencies should share only strictly relevant and carefully verified information.

Regarding the individual scenarios, the key concern with Scenario 1 was about IR staff ‘identifying property obtained from crime’. Some participants felt this was going beyond IR’s core role and capabilities, and made IR seem “sly” and working for the police.

With Scenario 2, a key concern was whether there was a strong enough connection between New Zealand and overseas authorities (such as the Australian Federal Police) for them to be included in any information sharing. This was debated in terms of the ‘sovereignty’ of information.

The main concern with Scenario 3 was about passing on agency-generated information (in this case, tax evasion risk scores). Some participants were concerned that this type of agency-generated information might be misinterpreted and misused by a different agency, leading to false positives. Further, participants were worried that such agency-generated information could carry on being used by the recipient

agency in ways which could be quite different to the intention of the original information request.

With the sharing of information based on the strong linkages between people in Scenario 4, some participants felt this type of information may be useful, but did not believe IR was the authoritative source to provide it. This Scenario was described as a “fishing expedition”, having “Orwellian” or “police state” overtones, with participants concerned about the risk of implicating innocent people.

One final note on Study 3 is that, overall, the participants who were tax and legal experts were consistently more concerned about the above issues than the other participants who were from the government, academic and commercial sectors.

3.2.3 *Study 4: Cultural perspectives*²⁶

This exploratory study sought the views of Māori, Pasifika and Asian peoples²⁷ regarding the cultural aspects of cross-government information sharing.²⁸ This was a qualitative study that gathered participants’ personal reactions to information sharing as well as their opinions about what reactions and sensitivities might be expected from other people in their wider cultural group. Study 4 built on the findings from Lips et al. (2010) that Māori and Pasifika participants had more concerns about information sharing than European participants. It was aimed at providing more understanding of the specific areas of sensitivity for customers in these cultures, along with the views of participants from a range of Asian communities. The study acknowledges the generally Euro-centric perspective of New Zealand government agencies and services.

Consistent with the other studies reported here, Study 4 found that participants supported cross-government information sharing, provided strong privacy safeguards are maintained. The benefits these participants expected from cross-government information sharing matched the benefits described in the previous studies (i.e., protecting public monies, ensuring customers receive entitlements, government agency efficiency, making it easier for customers, and public health and safety).

While the Māori or Pasifika participants were supportive of cross-government information sharing, there were some strong concerns, and these are detailed in the next section. The Asian participants in this study were markedly more supportive of information sharing, expressing high levels of trust in New Zealand government agencies to work in their best interests. Further, some overseas-born Asian participants had considerable past experience of government agencies sharing citizen information. The key benefit emphasised by the Asian participants was improved government efficiency.

3.2.4 *Concerns related to cross-cultural differences*

While Asian participants expressed high trust in New Zealand government departments and agencies, Māori and Pasifika participants described quite different

²⁶ Bickers, P. & Bennett, A. (2013)

²⁷ These are the three largest population groups in New Zealand apart from European New Zealanders.

²⁸ This research was not designed to provide a complete description of the views of Māori, Pasifika and Asian peoples, and it was also understood that these three cultural groupings encompassed a variety of individual cultures. Rather, this study was intended to provide initial insights and point to areas for further research or consideration.

and complex trust relationships with them. These differences directly affected their views on cross-government information sharing.

For instance, some Māori participants talked about “a hundred years of mistrust” and Māori being marginalised in New Zealand. In addition, some Māori participants described their concern that, even if government agencies intend to use information sharing in a positive way, there may be detrimental and disempowering effects for Māori. Specifically, there is a fear of “negative statistics about Māori” being shared without context, which could create an unfavourable impression of Māori and deflect attention from the issues driving such statistics.

The concerns expressed by the Pasifika participants arose from a different set of circumstances and experiences. In essence, Pasifika participants felt their communities were unfamiliar with government agency processes and were fearful of ‘the system’. Pasifika participants felt that this general lack of familiarity would make information sharing especially unnerving for Pasifika customers.

Also, some Pasifika participants in Study 4 believed that Pasifika communities were more likely than the general population to have low incomes and to be supplementing this with undeclared income, including some people working in New Zealand without the necessary immigration status. As a result, they felt the Pasifika communities would see government information sharing as a risk to this additional income.

Cross-cultural differences were apparent in the way participants viewed their information, and viewed service interactions. Some participants from all three cultural groups stated that people of their culture can be nervous and embarrassed about giving information to government agencies. Further, some Māori participants described their personal information as being “sacred”, and “part of themselves”. Both Māori and Pasifika participants stated that people of their culture may give incorrect information rather than revealing that they do not understand or cannot answer a question. Another comment from a Korean participant was that Asian people can find it disconcerting if government agency staff ask direct or blunt questions, leading the customer to “hold information back”.

According to the majority of the Māori, Pasifika and Asian participants interviewed, even the simplest level of information gathering, collecting a name from a customer, involves cross-cultural differences. For example, the names of an individual can be difficult to confirm due to the range of naming conventions in each culture, such as using surnames as first names or using simplified versions of their name in certain circumstances.

Several participants noted that the above situations may be alleviated by government agency staff being from the same cultural group, and ideally being able to speak the customer’s first language. They also felt that matching the culture and language of the customer can also lead to more accurate and complete information being gathered due to the staff person having a better understanding of the context of the customer’s information. Some Māori participants expanded on this and stated that minimising cross-cultural differences would provide comfort to Māori customers that their information would be “looked after”. It is clear that cultural awareness training for staff, and staff recruitment policies are integral to effective service delivery as much as cross-government information sharing.

3.2.5 Study 5: Businesses' perspectives²⁹

This study included a survey and interviews to gather the views of business owners, focussing on sharing businesses' information rather than individuals' information. In the interviews, four hypothetical information sharing scenarios were tested. Scenarios A and B were about financial crime, Scenario C was about helping businesses get government grants, and Scenario D was about sharing of IR-generated 'risk scores' with debt collection agencies. The four hypothetical scenarios tested were as follows:

Scenario A. IR is involved in a taskforce combating money laundering with agencies such as New Zealand Police and the Serious Fraud Office and shares information about individuals and businesses under investigation. There are also links to Australia so the taskforce also passes this information to the Australian Federal Police.³⁰

Scenario B. IR is aware of company directors engaged in aggressive tax avoidance cases and shares this information with the Companies Office so that the Companies Office can ban them from becoming directors of other companies.

Scenario C. IR identifies new businesses with research and development expenditure and shares this with the Ministry of Business, Innovation and Employment so it can contact the businesses to discuss whether they may qualify for Government grants.

Scenario D. IR scores the likelihood of an individual being involved in tax evasion, and shares that with the credit reporting agencies and debt collectors profiling of the riskiest businesses and to aid their debt collection activities.

In the survey, nine further hypothetical scenarios were tested; again to see where the boundaries of acceptable information sharing were. Five involved information sharing between government departments and four involved sharing with private sector agencies. These nine scenarios were as follows:

Scenario 1. A company takes on a debt it cannot pay; IR shares this with the Registrar of Companies so that the company directors can be disqualified.

Scenario 2. A taxpayer earns income from Department of Conservation owned land, but does not declare this income; IR shares this with the Department of Conservation.

Scenario 3. A new immigrant tells the Immigration Service that they have made a large investment in New Zealand but does not report this investment; IR shares this with the Immigration Service.

Scenario 4. A company pays staff below the minimum wage; IR shares this with the Department of Labour.

Scenario 5. The directors of a company make false statements in a registered prospectus; IR shares this with the Financial Markets Authority.

Scenario 6. A bankrupted taxpayer fails to declare some income; IR shares this with the Official Assignee.

²⁹ Research New Zealand (2013)

³⁰ This is the same as 'Scenario 2' in the previous section on information sharing to combat serious crimes.

Scenario 7. A company moves money to a related company before being liquidated; IR shares this with the liquidator.

Scenario 8. A chartered accountant makes false statements; IR shares this with the New Zealand Institute of Chartered Accountants.

Scenario 9. A taxpayer has outstanding tax debt; IR shares this with companies that determine credit ratings.

As in the previous research detailed in this paper, Study 5 found strong support for cross-government information sharing, in particular to protect public monies. For instance, 89 per cent of respondents were in favour of IR sharing businesses' information with government departments responsible for benefits; 83 per cent believed this would reduce benefit fraud, and 65 per cent believed this type of sharing already happens.

Similarly, regarding illicit business activity, 80 per cent of respondents supported IR sharing information with government departments responsible for goods, services and people coming in and out of the country, and 71 per cent felt this would ensure businesses work within the law. Interestingly, 13 per cent believed this sharing already happens. Likewise, 72 per cent supported IR sharing information with government departments responsible for regulating businesses, and 16 per cent believed this already happens.

This study also found strong support for cross-government information sharing to protect public safety, especially to address serious crime. This included information relating to the directors of businesses and their associated business interests, and sharing information with government agencies outside of New Zealand—particularly in Australia. Eighty-three per cent of respondents favoured IR sharing businesses' information with government departments responsible for criminal investigations, and 83 per cent felt this would assist with criminal investigations. Twelve per cent believed this sharing already happens.

Regarding making things easier for customers, 63 per cent of respondents felt that cross-government information sharing would reduce compliance costs to businesses. And for government agency efficiency, 59 per cent felt information sharing would create a more efficient public sector.

For trust in IR, almost 59 per cent of respondents had 'moderate to high trust' in IR, and 33 per cent had 'mid-range trust'. This reflects the overall finding from the earlier research that the majority of people have relatively strong trust in New Zealand government agencies in general.

3.2.6 *Concerns of business owners*

Even though trust in IR was high, there were exceptions, with eight per cent of respondents reporting 'low' trust in IR. Related to this, 17 per cent felt that 'too much information/knowledge would lead to an abuse of power' and 10 per cent felt there could be 'unintended consequences resulting from the sharing of inaccurate information or the poor interpretation of information'. There was also a mention of the risk of people being less inclined to provide information once they knew it was likely to be shared.

Interestingly, Study 5 found that respondents with low trust were more likely than other respondents to say they were ‘not at all informed’ about IR’s information sharing with government departments, which suggests that there is value in government agencies being transparent about their information sharing processes.

The highest risk associated with cross-government information sharing was ‘privacy being compromised’ (69 per cent saw this as a risk). Underpinning this finding was a perception that government departments have a poor record of managing privacy.

Respondents were more comfortable about sharing information about the business than their personal information. For instance, more respondents were comfortable with IR sharing contact details for businesses (86 per cent support) than contact details of business owners (73 per cent). Similarly, there was more support for sharing businesses’ tax paid and owed (57 per cent) and businesses’ turnover (56 per cent support) than for sharing tax and financial information about business owners (47 per cent support). These figures also show that support for sharing financial information of any type is markedly lower than support for sharing contact details.

In general terms, respondents were considerably more comfortable about information sharing with government agencies only (62 per cent support) than with the private sector (24 per cent).

4. DISCUSSION

IR wished to understand views of cross-government information sharing, and what implications there would be for the integrity of the tax system. These five studies covered the views of the general public, business owners, cultural groups, tax agents and law professionals.

4.1 Cautious support for information sharing

The findings from the five studies outlined here show cautious public support for cross-government information sharing. The public believes information sharing is beneficial for; protecting public monies, ensuring customers receive correct entitlements, improving government agency efficiency, making it easier for customers when dealing with government agencies, and for better public health and safety.

Some sections of the public are more cautious than others about increased cross-government information sharing. For instance, Māori and Pasifika, the self-employed and beneficiaries had less trust in government agencies and more concerns about whether they would personally benefit from their information being shared. Tax and legal professionals had more concerns about ‘tax secrecy’ than other participant groups.

Two other potential benefits of cross-government information sharing briefly mentioned by participants, but not elaborated on, were: debt minimisation through consolidation of financial information, and government agencies working together to offer assistance earlier for customers experiencing problems.

4.2 Information sharing's effect on views of the integrity of the tax system

As stated earlier in this paper, it is vital for IR to maintain the public's positive perceptions about the integrity of the tax system and encourage full and frank disclosure of tax information by taxpayers.³¹ The research results can be linked to the integrity of the tax system in two ways. Firstly, the information sharing needs to match IR's core business. People viewed IR's core business as tax, but they also recognised IR has a role in ensuring 'customers receive their correct entitlements'. They felt there were logical links between IR and other income and social policy agencies such as the Ministry of Social Development and the Accident Compensation Corporation.³²

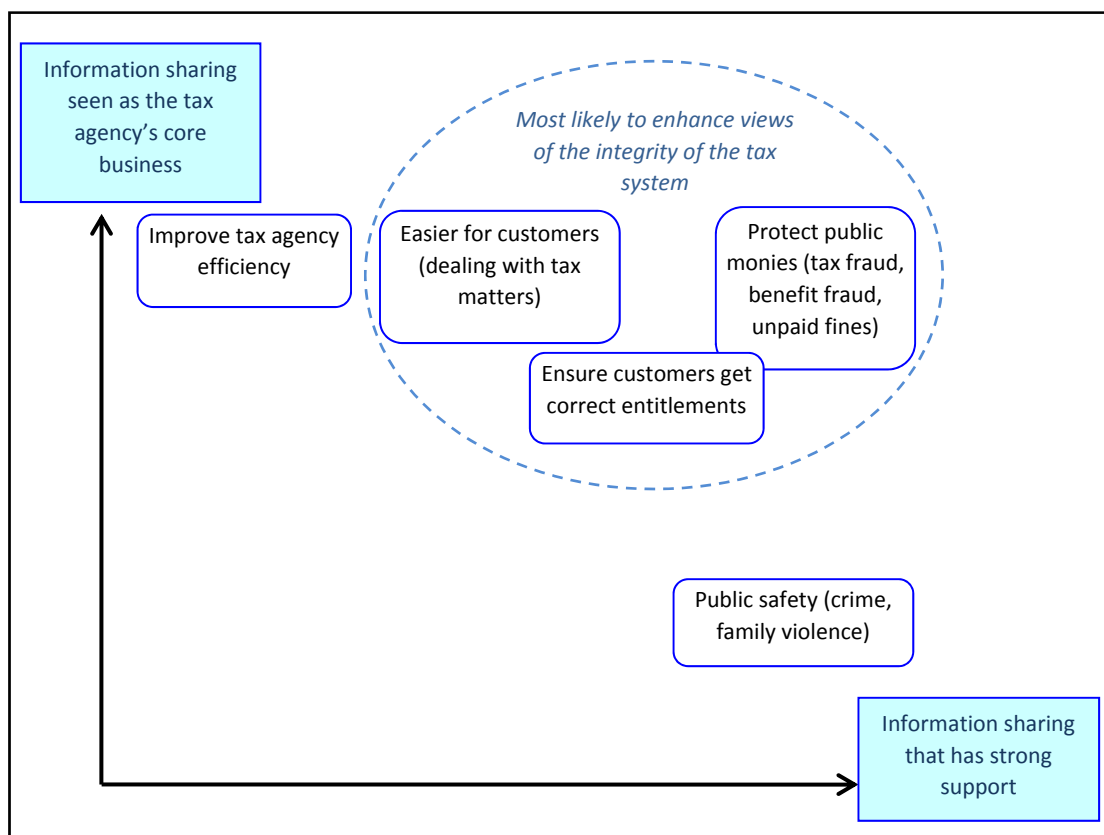
A second aspect of the public's positive perceptions about the integrity of the tax system is the importance people place on the aim of cross-government information sharing. There was widespread support for all the perceived benefits, but some seemed markedly more important to participants than others. Public safety (for example, addressing serious crime and family violence) and protecting public monies (for example, from tax and benefit fraud) received particularly strong support. Ensuring customers receive their correct entitlements also had relatively strong support. In comparison, support for benefits such as making it easier to deal with the agency and improving agency efficiency was not as strong, but still wide-spread amongst the participants.

Figure 1 below combines the two themes of; (i) how well the information sharing matches the tax agency's core business, and (ii) the importance that participants placed on the aims of the information sharing. This highlights three benefits that are most likely to enhance the integrity of the tax system. Protecting public monies stands out as being highly important to the public, and part of IR's core business. The next most positive items are ensuring customers receive correct entitlements and making it easy to deal with tax matters. Although improving tax agency efficiency is also part of IR's core business, it does not have as much support as the other benefits, so it may have less effect on public views of tax system integrity. On a different note, public safety is highly valued as a government goal, but is missing an obvious connection to the tax system.

³¹ Braithwaite, V. (2003), and Hazell, R. & Worthy, B. (2009).

³² Lips et al. (2010)

Figure 1: Information sharing initiatives likely to improve views of the integrity of the tax system



5. CONCLUSION

These five studies show cautious support for increased cross-government information sharing even though such an activity runs contrary to the principle of ‘using information as intended when supplied’. People can tolerate some loss of privacy when there are clear personal benefits or societal benefits, if safeguards are in place to ensure only strictly necessary information is shared, and if the information has been carefully checked for accuracy.

Notably for IR, these studies also show that cross-government information sharing can enhance public perceptions of the integrity of the tax system if it matches IR’s core business and aims for goals that the public sees as important. The goals that best match these criteria are:

1. Protecting public monies
2. Ensuring people receive correct financial and service entitlements, and
3. Making it easier for customers to deal with their tax matters.

To maintain people’s trust when sharing information, the most helpful action for government agencies would be to ask for consent. However, this is not always

practical or in the best interests of the public as a whole, for instance where criminality is suspected, or in a fraud investigation.

As an alternative to asking consent at the time of sharing, government agencies could be transparent and notify customers when the information is supplied or collected, and about how, when, why, and with whom the information may be shared. Early notification may still leave customers feeling aggrieved, for instance if an enforcement action is taken, or if an entitlement is reduced. However, these studies did show that early notification would be appreciated.

This transparency would also address the overall lack of knowledge that people expressed regarding how their information was stored, what cross-government information sharing was occurring and which agencies were involved. It would also help reassure the public about information only being shared when strictly necessary, and that the accuracy of the information is verified.

It is likely that, as part of the global trend, IR will increase its cross-government information sharing activity. It is vital that IR protects the current high regard that the public holds for its standards of privacy by limiting its information sharing to the most pressing needs, and continuously tightening its information security processes. There is no guarantee that information security lapses will not occur, but, through the principle of transparency, and working towards goals that the public sees as important and appropriate, public support for IR's involvement in cross-government information sharing can be maintained.

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