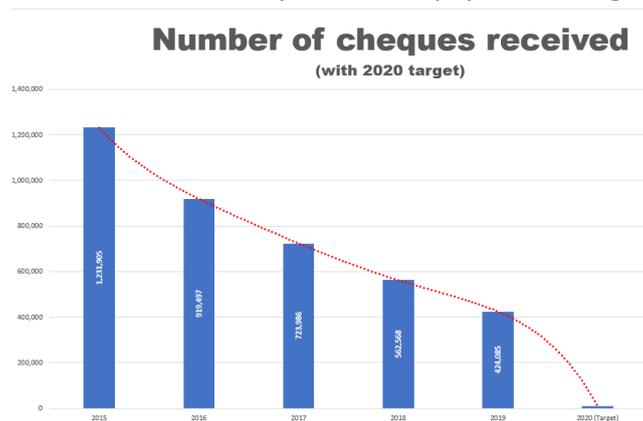


Cheque payments to IR

From 1 March next year, IR (and ACC) have announced that they will no longer accept payments by cheque from customers who are able to use alternative payment options.

This is because the technology that enables us to process cheques is out of support and the software provider is ceasing business. Given the ongoing decline in cheque usage, it is not prudent use of tax payer funds to invest in outdated technology to continue to process cheques.

For the past few years, the volume and value of cheques used to pay IR have significantly dropped:



We accept that in some specific situations some customers may have no option but to keep using cheques. Our goal is to reduce cheques received from over 400,000 per annum (in 2019) to less than 20,000 per annum.

Exception criteria has been incorporated into the Standard Practice statement, currently out for comment. This indicates that we expect customers to have consulted their bank to discuss alternative payment options before we will consider granting an exception. If no alternative payment options exist, we will consider making an exception.

To put some context around the volume of cheque payments received, location and age, some additional data is provided below.

For the Financial Year ended 30 June 2019, cheques (by volume) were 4.67% of payments to IR.

Type	Vol – Total
Other payment options (eg electronic)	9,354,726
Cheque (from 124,486 customers)	458,158
Total	9,812,884

Note: For the Financial Year ended 30 June 2019 over 25% of customers who used a cheque to pay Inland Revenue for one payment *also* used an alternative payment option for a separate payment, the predominant alternative payment option being a direct credit.

Payments are predominantly for business related tax types:

Tax types	%
Employer related (eg PAYE/SL/KS/CS)	38
GST	35
Income Tax	26

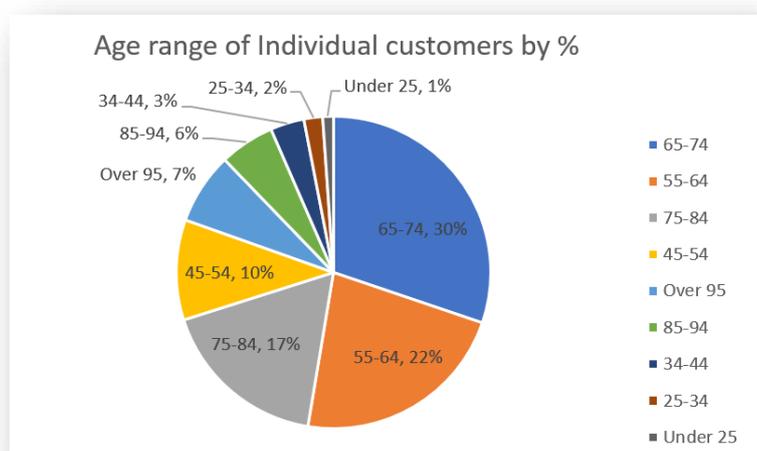
Most cheque's come from main centres as follows:

	%	Volume
Auckland	22%	25,483
Hamilton	13%	14,274
Christchurch	9%	10,472
Wellington	8%	9,209
Palmerston North	7%	8,190
Tauranga	7%	7,896
Dunedin	6%	6,505
New Plymouth	5%	6,167

	%	Volume
Whangarei	5%	5,836
Invercargill	4%	4,465
Napier	4%	4,376
Nelson	4%	4,253
Rotorua	3%	3,494
Timaru	3%	3,334
Greymouth	1%	1,356
Gisborne	1%	1,174

53% of cheques are received from individuals (including sole-traders), with the balance from non-individuals (eg companies/partnerships etc).

The age ranges of individual customers are noted in the graph below, but more than half of the cheques are received from customers under the age of 75.



Note: We have received some feedback that a blanket 'over 85' exception approach should be implemented as some people think it would be difficult for this age group to pick up new skills. For the financial year ended 30.6.19, there were approx. 9,000 cheque payers over the age of 85. However, some quite senior customers are very proud of their digital literacy, or, are able to make a payment at Westpac, can be helped by a tax agent, or family member. Banks will also help with other, non-digital payment options, including automatic payments, and with Release 4, we'll be implementing a self-management payment phone line.

Cheques are not legal tender

We've received some feedback from tax agents and customers that cheques are legal tender. While cheques have been commonly used over the years, they're not actually legal tender.

Legal tender is defined as bank notes and coins issued under the Reserve Bank of New Zealand Act 1989 (RBNZA). This is set out in section 27 of the RBNZA. Cheques are not included in this definition.

A cheque is defined as a bill of exchange drawn on a bank which is payable on demand, as set out in section 73(1) of the Bills of Exchange Act 1908.

A debt is not considered to be paid until it is presented by the recipient of the cheque for payment.

This means that legally, unless the Commissioner expressly agrees to accept payment by cheque or does not object to one when it is provided, a debt is not considered to be paid unless the payment is made in legal tender - such as by cash or bank transfer.