

In Confidence

Office of the Minister of Revenue

Chair, Cabinet Legislation Committee

STUDENT LOAN SCHEME (REPAYMENT THRESHOLD) REGULATIONS 2018

Proposal

1. I propose that the Cabinet Legislation Committee authorise the submission to the Executive Council of the attached Student Loan Scheme (Repayment Threshold) Regulations 2018 (the Regulations). The Regulations increase the income threshold at which New Zealand-based student loan borrowers must begin to repay their student loan, from \$19,448 to \$19,760, for the tax year beginning 1 April 2019.

Policy

2. Section 215(a) of the Student Loan Scheme Act 2011 allows the Governor-General, by Order in Council, to make regulations setting the annual repayment threshold, or a means by which it may be calculated or ascertained.
3. The annual method for setting the student loan repayment threshold is to use the September quarter annual consumers price index-all groups excluding cigarettes and other tobacco products (CPI-ex tobacco) as the basis for adjustment for the following tax year [CAB-16-MIN-0655 refers].
4. I propose to increase the annual student loan repayment threshold from \$19,448 to \$19,760 (\$380 per week) for the tax year beginning 1 April 2019. This increase was calculated by applying the September 2018 quarter CPI-ex tobacco value of 1021, as published by Statistics New Zealand, to the unrounded threshold for the 2018-19 tax year and rounding up to the nearest \$52 (to create a round weekly dollar threshold).
5. The effect of the adjustment will be that New Zealand-based borrowers will be able to retain an additional \$6 per week (over 52 weeks this would be \$312) of weekly income before their student loan repayments are deducted by employers. Borrowers not subject to PAYE deductions will have an additional \$312 per year before they must begin to make repayments.

Financial implications

6. Funding changes associated with increasing the student loan repayment threshold were agreed to by Cabinet for 2017-18 and out-years on 5 December 2016 [CAB-16-MIN-0655 refers]. Therefore, increasing the student loan repayment threshold for the 2019-20 tax year has no impact on the operating balance and no changes to appropriations are required.

Administrative implications

7. Threshold adjustments need to be built into payroll specifications for the relevant tax year. Inland Revenue generally issues several drafts of payroll specifications to allow users to determine payroll impacts and test their systems in plenty of time before changes take effect. However, finalised specifications are not published until December, so it would be possible to include an increased student loan repayment threshold in the final publication of the payroll specification if Cabinet decisions are made in December.
8. Provision for giving effect to threshold changes is built into Inland Revenue's work programmes so will be funded within existing baselines.

Timing and 28-day rule

9. A waiver of the 28-day rule is not required as the Regulations are not proposed to come into force until 1 April 2019 and will apply for the 2019-20 tax year.

Compliance

10. The regulations comply with:
 - 10.1 the principles of the Treaty of Waitangi;
 - 10.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
 - 10.3 the principles and guidelines set out in the Privacy Act 1993
 - 10.4 relevant international standards and obligations; and
 - 10.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

Regulations Review Committee

11. Officials consider that as the adjustment is of a minor and routine nature, it is unnecessary to refer the Student Loan Scheme (Repayment Threshold) Regulations 2018 to the House of Representatives under Standing Order 319.

Certification by Parliamentary Counsel

12. The Regulations have been certified by the Parliamentary Counsel Office (PCO) as being in order for submission to Cabinet.

Impact analysis

13. A regulatory impact assessment is not required as the proposal is of a minor and routine nature and does not substantially alter existing arrangements.

Publicity

14. Inland Revenue will publish information about the new threshold and its impact in the student loan section of its website. The Minister of Education and I will also issue a joint press release nearer to the time the Regulations will come into effect.
15. Inland Revenue will publish an article about this change in its *Tax Information Bulletin*.

Proactive release

16. I propose to proactively release this Cabinet paper, associated minutes, and key advice papers in part, in line with the provisions of the Official Information Act 1982, within 30 working days of Cabinet making final decisions.

Consultation

17. Inland Revenue has consulted with the Ministry of Education on the proposal to increase the repayment threshold for the 2019-20 tax year.

Recommendations

I recommend that the Cabinet Legislation Committee:

1. **note** that on 5 December 2016 the Cabinet Legislation Committee agreed to the methodology for calculating the student loan repayment threshold and funding changes for 2017-18 and out-years [CAB-16-MIN-0655].
2. **note** that an Order in Council is required under section 215(a) of the Student Loan Scheme Act 2011 to set the student loan income repayment threshold.
3. **note** that the Student Loan Scheme (Repayment Threshold) Regulations 2018 will increase the student loan repayment threshold to \$19,760 for the 2019-20 tax year.
4. **note** that increasing the student loan repayment threshold for the 2019-20 tax year has no impact on the operating balance and no changes to appropriations are required.
5. **authorise** the submission to the Executive Council of the Student Loan Scheme (Repayment Threshold) Regulations 2018.
6. **note** that the Student Loan Scheme (Repayment Threshold) Regulations 2018 will come into force on 1 April 2019.

Authorised for lodgement

Hon Stuart Nash
Minister of Revenue