

In Confidence

Office of the Minister of Revenue

Chair, Cabinet Legislation Committee

STUDENT LOAN SCHEME (REPAYMENT THRESHOLD) REGULATIONS 2019

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 2019 (the Regulations). The Regulations increase the income threshold at which New Zealand-based student loan borrowers must begin to repay their student loan, from \$19,760 to \$20,020, for the tax year beginning 1 April 2020.

Policy

2. Section 215(a) of the Student Loan Scheme Act 2011 allows the Governor-General to make regulations setting the annual repayment threshold, or a means by which it may be calculated or ascertained via Order in Council.
3. The student loan repayment threshold is a mechanism to limit the likelihood that a low-income borrower is in financial hardship as a consequence of their student loan repayment obligations. The threshold amount is adjusted so that inflation over time does not force borrowers to begin making repayments from a relatively lower amount of real income.
4. The method for annually adjusting 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. This approach was agreed to in 2016 [CAB-16-MIN-0655 refers].
5. I propose to increase the annual student loan repayment threshold from \$19,760 (\$380 per week) to \$20,020 (\$385 per week) for the tax year beginning 1 April 2020. This increase was calculated using the September 2019 quarter CPI-ex tobacco value of 1035, as published by Statistics New Zealand.
6. This adjustment would allow New Zealand-based borrowers to retain an additional \$5 of income per week (\$260 per year) before they are required to begin making repayments on their outstanding student loan balance.

Financial implications

7. There will be no financial implications associated with increasing the student loan repayment threshold to the proposed new amount as funding was agreed to for 2018/19 and out years in 2016 [CAB-16-MIN-0655 refers].

Administrative implications

8. Threshold adjustments need to be built into payroll specifications for the relevant tax year. Inland Revenue issues a number of draft specifications to allow payroll users to

gauge the impacts of payroll changes well in advance of their application. These specifications are normally finalised in November before being published in December to apply for the following tax year.

Impact analysis

9. The Treasury's Regulatory Quality Team has determined that the proposal is exempt from the Regulatory Impact Analysis requirements on the basis that it has no or only minor impacts on businesses, individuals or not-for-profit entities.

Consultation

10. Inland Revenue has consulted with the Ministry of Education on the proposal to increase the repayment threshold for the 2020/21 tax year.

Timing and 28-day rule

11. A waiver of the 28-day rule is not required as the Regulations are not proposed to come into force until 1 April 2020 and will apply for the 2020/21 tax year.

Publicity

12. 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 prior to the proactive release of this Cabinet paper and associated documents.
13. Inland Revenue will publish an article about this change in its *Tax Information Bulletin*.

Certification by Parliamentary Counsel

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

Regulations Review Committee

15. 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 2019 to the House of Representatives under Standing Order 319.

Compliance

16. The regulations comply with:
 - 16.1 The principles of the Treaty of Waitangi;
 - 16.2 The rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
 - 16.3 The principles and guidelines set out in the Privacy Act 1993; and
 - 16.4 Relevant international standards and obligations.

Proactive release

17. 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.

Recommendations

I recommend that the Cabinet Legislation Committee:

- a) **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 2018/19 and out-years [Cab-16-MIN-0655].
- b) **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.
- c) **note** that the Student Loan Scheme (Repayment Threshold) Regulations 2019 will increase the student loan repayment threshold to \$20,020 for the 2020/21 tax year.
- d) **authorise** the submission to the Executive Council of the Student Loan Scheme (Repayment Threshold) Regulations 2019.
- e) **note** that the Student Loan Scheme (Repayment Threshold) Regulations 2019 will come into force on 1 April 2020.

Authorised for lodgement

Hon Stuart Nash
Minister of Revenue