

In Confidence

Office of the Minister of Revenue

Chair, Cabinet Legislation Committee

STUDENT LOAN SCHEME (REPAYMENT THRESHOLD) REGULATIONS 2021

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 2021 (the Regulations). The Regulations increase the income threshold at which New Zealand based borrowers must begin to repay their student loan, from \$20,280 to \$21,268, for the tax year beginning 1 April 2022.

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 current policy is to adjust the student loan repayment threshold for inflation yearly. The inflation adjustment is based upon the September quarter Consumer Price Index – all groups excluding cigarettes and other tobacco products (CPI-ex tobacco). This approach was agreed to in 2016 under the previous National Government [CAB-16-MIN-0655 refers].
4. Under the current policy, the student loan repayment threshold will increase from \$20,280 a year to \$21,268 for the tax year beginning 1 April 2022.
5. The repayment threshold limits the likelihood that a low-income borrower would be placed in financial hardship as a consequence of having to meet student loan repayment obligations. This year's adjustment would mean New Zealand-based borrowers could earn an additional \$988 of income per year (or \$19 per week) before being required to make repayments on their outstanding student loan balance.

Financial Implications

6. The impacts of adjusting the student loan repayment threshold, using the current methodology, are already accounted for in the forecast [CAB-16-MIN-0655 refers].

Administrative Implications

7. Threshold adjustments need to be built into payroll specifications for the relevant tax year. Inland Revenue issues specifications to allow payroll users to gauge the impacts of payroll changes on software well in advance of their application. These specifications are normally published in December to apply for the new tax year.

Impact Analysis

8. Treasury's Regulatory Impact Analysis team has determined that the Student Loan Repayment Threshold Adjustment 2021 proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

Consultation

9. Inland Revenue has consulted with the Ministry of Education on the proposal to increase the repayment threshold for the 2022/23 tax year.

Timing and 28-Day Rule

10. A waiver of the 28-day rule is not required as the Regulations are not proposed to come into force until 1 April 2022 and will apply for the 2022/23 tax year.

Publicity

11. Inland Revenue will publish information about the new threshold and its impact on the student loan section of its website.
12. Inland Revenue will publish an article about this change in its *Tax Information Bulletin*.

Certification by Parliamentary Counsel

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

Regulations Review Committee

14. 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 2020 to the House of Representatives under Standing Order 319.

Compliance

15. The Regulations comply with:
 - 15.1 the principles of the Treaty of Waitangi;
 - 15.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 15.3 the principles and guidelines set out in the Privacy Act 1993;
 - 15.4 relevant international standards and obligations;

Proactive Release

16. I propose to proactively release this Cabinet paper, associated minutes, and key advice papers, 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:

1. **note** that the policy is for the student loan repayment threshold to be adjusted for inflation every year.
2. **note** that an Order in Council is required under section 215(a) of the Student Loan Scheme Act 2011 to adjust the repayment threshold.
3. **note** that the Student Loan Scheme (Repayment Threshold) Regulations 2021 increase the student loan repayment threshold to \$21,268 for the 2022/23 tax year and come into force on 1 April 2022.
4. **authorise** the submission to the Executive Council of the Student Loan Scheme (Repayment threshold) Regulations 2021.

Authorised for lodgement

Hon David Parker
Minister of Revenue

Dr Deborah Russell
Parliamentary Under-Secretary to the Minister of Revenue