

# Hon David Parker, Minister of Revenue

## Information Release

### Student Loan Scheme (Repayment Threshold) Regulations 2021

July 2022

#### Availability

This information release is available on Inland Revenue's tax policy website at <https://taxpolicy.ird.govt.nz/publications/2022/2022-ir-cab-leg-21-sub-0182>

#### Documents in this information release

#	Reference	Type	Title	Date
1	IR2021-486	Tax Policy Report	Student Loan Scheme (Repayment Threshold) Regulations 2021	20 October 2021
2	LEG-21-SUB-0182	Paper	Student Loan Scheme (Repayment Threshold) Regulations 2021	11 November 2021
3	LEG-21-MIN-0182	Minute	Student Loan Scheme (Repayment Threshold) Regulations 2021	11 November 2021

#### Additional information

The Cabinet paper was considered by the Cabinet Legislation Committee on 11 November 2021 and confirmed by Cabinet on 12 November 2021.

One attachment to the Cabinet paper is not included in this information release as it is publicly available:

- Student Loan Scheme (Repayment Threshold) Regulations 2021.<sup>1</sup>

#### Information withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply are identified. Where information is withheld, no public interest was identified that would outweigh the reasons for withholding it.

Sections of the Act under which information was withheld:

- 9(2)(a) to protect the privacy of natural persons, including deceased people

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<sup>1</sup> <https://www.legislation.govt.nz/regulation/public/2021/0022/latest/whole.html>

## **Accessibility**

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## POLICY AND REGULATORY STEWARDSHIP

**Tax policy report: Student Loan Scheme (Repayment Threshold) Regulations 2021**

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<b>Date:</b>	20 October 2021	<b>Priority:</b>	High
<b>Security level:</b>	In Confidence	<b>Report number:</b>	IR2021/486

### Action sought

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	<b>Action sought</b>	<b>Deadline</b>
Parliamentary Under-Secretary to the Minister of Revenue	<b>Agree</b> to recommendations	4 November 2021

### Contact for telephone discussion (if required)

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Maraina Hak	Policy Lead	s 9(2)(a) [Redacted]
Richard McLaughlan	Policy Advisor	s 9(2)(a) [Redacted]

20 October 2021

Parliamentary Under-Secretary to the Minister of Revenue

## Student Loan Scheme (Repayment Threshold) Regulations 2021

### **Executive summary**

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1. This report outlines the process for increasing the student loan repayment threshold for New Zealand-based borrowers from 1 April 2022 and recommends you take a paper to Cabinet on this matter.
2. The current policy is to adjust the loan repayment threshold for movement in the Consumer Price Index – all groups excluding cigarettes and other tobacco products (CPI-ex tobacco) every year.
3. The current repayment threshold is \$20,280. Under the current policy the new threshold would be \$21,268 and would apply from 1 April 2022. This would allow New Zealand-based student loan borrowers to earn an additional \$988 of income per year (or \$19 per week) before they must begin to make loan repayments.
4. The impacts of adjusting the repayment threshold are already accounted for in the forecast. However, the Parliamentary Counsel Office will need to be instructed to draft the necessary regulations to increase the threshold and Cabinet authorisation is needed for the regulations to go to the Executive Council.
5. Any new repayment threshold needs to be included into payroll software in time for the 2022/23 income year. To provide payroll providers time to make and test changes to payroll software, Inland Revenue starts issuing payroll specifications about 4 months before the start of the next income year. We therefore recommend aiming to have this matter considered by Cabinet Legislative Committee on 11 November.

### **Recommended action**

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We recommend that you:

6. **Note** that under the current policy, the student loan repayment threshold is adjusted for inflation annually.

Noted

7. **Agree** that the Parliamentary Counsel Office be instructed to draft the necessary regulations to increase the student loan repayment threshold to \$21,268 and that the threshold apply from 1 April 2022.

Agreed/Not Agreed

8. **Agree** to take the attached paper to the Cabinet Legislation Committee on 11 November, which asks for authority to submit the Student Loan Scheme (Repayment Threshold) Regulations 2020 to the Executive Council, following consultation with the Minister of Revenue.

Agreed/Not Agreed

[IN CONFIDENCE]

9. **Agree** to proactively release the Cabinet paper, associated minutes, and key advice papers in full, in line with the provisions of the Official information Act 1982, within 30 working days of Cabinet making final decisions.

Agreed/Not Agreed

10. **Refer** this report to the Minister of Revenue for his information.

Referred/Not referred

11. **Refer** this report to the Minister of Education for his information.

Referred/Not referred

s 9(2)(a)

**Maraina Hak**

Policy Lead

Policy and Regulatory Stewardship

**Dr Deborah Russell**

Parliamentary Under-Secretary to the Minister of Revenue

/ /2021

## **Background**

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12. The student loan repayment threshold sets the amount of annual income at which a New Zealand-based borrower is required to begin making loan repayments. The threshold is a mechanism to reduce the likelihood that a low-income borrower would be placed into financial hardship as a consequence of their student loan repayment obligations.
13. The student loan repayment threshold is prescribed by regulation through an Order in Council.
14. The Student Loan Scheme (Repayment Threshold) Regulations 2020 set the annual repayment threshold for the 2021/22 tax year at \$20,280. This was an increase from \$20,020 for the 2020/21 tax year.

## **Process for calculating the threshold adjustment**

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15. Since 2016, Government policy has been that the student loan repayment threshold is adjusted annually in line with the CPI-ex tobacco (September quarter) [CAB-16-MIN-0655 refers]. Adjusting the repayment threshold for inflation maintains the real value of the amount of income someone can earn before they are required to begin repaying their student loan.

## **The threshold for the 2022/23 tax year**

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16. The CPI-ex tobacco for the quarter ending 30 September 2021 was up 4.7% on the September 2020 quarter. Applying the CPI-ex tobacco value to the formula set out in the Appendix to this report produced a new annual threshold of \$21,268. This would mean that New Zealand-based student loan borrowers could earn an additional \$988 per year (or \$19 per week) before being required to make loan repayments.

## **Regulations to be made by Order in Council**

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17. To increase the student loan repayment threshold to \$21,268 per year from 1 April 2022, the Parliamentary Counsel Office needs to be instructed to draft regulations under s 215(a) of the Student Loan Scheme Act 2011.
18. Ideally, the Order in Council should be made before the end of 2021. This provides sufficient certainty and time for payroll providers to build and test any new repayment threshold amount into payroll software in time for the 1 April 2022 application date.

## **Financial implications**

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19. The impacts of adjusting the threshold from 1 April 2022 using the current methodology are already accounted for in the forecast [CAB-16-MIN-0655 refers].

## **Administrative and system implications**

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20. Threshold adjustments need to be built into payroll specifications for the relevant tax year and tested. 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 published in December to apply for the following tax year.

**Proactive release considerations**

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21. If the student loan repayment threshold is adjusted, officials recommend that the Cabinet paper, associated minutes, and key advice papers be proactively released within 30 working days of Cabinet making final decisions.

**Next steps**

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22. We recommend the attached Cabinet paper be lodged with the Cabinet Office by 4 November for consideration at the Cabinet Legislation Committee meeting on 11 November.

**Appendix**

<b>Method</b>	<b>Application from 1 April 2022</b>
<p>The formula to calculate the student loan repayment threshold for the 2022/23 tax year is:</p> $T_{\text{new}} = RU (19084 \times \text{CPIexcl2} / 986.6778)$ <p>Where:</p> <p><b>T<sub>new</sub></b> is the new threshold to be effective from 1 April 2022 to 31 March 2022</p> <p><b>Ru()</b> is a function which rounds its argument up to the next multiple of 52</p> <p><b>CPIexcl2</b> is the value of the Consumer Price Index excluding cigarettes and tobacco products for 30 September Y-1</p> <p><b>19084</b> is the repayment threshold for the year ending 31 March 2017</p> <p><b>And 986.6778</b> is the All groups less cigarettes and tobacco subgroup (series SE9NS14800) for September 2015</p>	<p>CPIexcl2 = 1099 (index for September 2021)</p> <p>T<sub>new</sub> =</p> $Ru (19084 \times \text{CPIexcl2} / 986.6778)$ $Ru (19084 \times 1099/986.6778)$ $Ru (19084 \times 1.11384)$ $Ru (\$21,256.50)$ <p>The next multiple of 52 above 21256.50 is 21268 (52 x 409). 21256.50 is therefore rounded up to 21268.</p> <p>T<sub>new</sub> = <b>\$21,268</b></p> <p><b>Proposed threshold from 1 April 2022 is \$21,268.</b></p>



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





# Cabinet Legislation Committee

## Minute of Decision

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*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

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### Student Loan Scheme (Repayment Threshold) Regulations 2021

#### Portfolio                      Revenue

On 11 November 2021, the Cabinet Legislation Committee:

- 1        **noted** that the policy is for the student loan repayment threshold to be adjusted for inflation every year;
- 2        **noted** that an Order in Council is required under section 215(a) of the Student Loan Scheme Act 2011 to adjust the repayment threshold;
- 3        **noted** 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        **authorised** the submission to the Executive Council of the Student Loan Scheme (Repayment threshold) Regulations 2021 [PCO 24235/3.0].

Rebecca Davies  
Committee Secretary

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#### **Present:**

Hon Michael Wood (Chair)  
Hon Andrew Little  
Hon David Parker  
Hon Poto Williams  
Hon Kris Faafoi  
Hon Michael Wood (Deputy Chair)  
Hon Kiri Allan  
Hon Dr David Clark  
Keiran McAnulty, MP (Senior Government Whip)

#### **Officials present from:**

Office of the Prime Minister  
Officials Committee for LEG