Regulatory Analysis Summary: Amending the student loan arrest at border provision

Decision sought	Final Cabinet decisions
Agency responsible	Inland Revenue
Portfolio Minister(s)	Hon Simon Watts, Minister of Revenue Hon Penny Simmonds, Minister for Tertiary Education
Date finalised	5 August 2026
Ministry for Regulation ID number	REG-2344

Brief description of the Minister's regulatory proposal (preferred option)

The preferred option is to amend the student loan arrest-at-border provision so that, when Inland Revenue has been unable to notify a borrower despite making reasonable efforts, it can rely on evidence of previous engagement with the borrower to demonstrate that the borrower was aware of their obligations and knowingly chose not to comply.

Summary of the problem definition

New Zealand's Student Loan Scheme supports access to tertiary education by reducing financial barriers. However, low repayment compliance among overseas-based borrowers (OBBs) reduces the value of the Scheme and increases costs for future taxpayers. Current challenges include:

- Only around 30% of OBBs meet their repayment obligations, and compliance declines sharply among cohorts of borrowers who have been overseas for longer periods.
- Historic debt continues to grow through accumulated interest. Around 90% of overdue debt is owed by borrowers who have been overseas for more than 10 years.

OBBs are not within New Zealand's jurisdiction, so Inland Revenue has few tools available to enforce payment from borrowers living overseas.

Inland Revenue can seek a warrant to arrest student loan defaulters when they attempt to leave New Zealand (after returning from overseas) if they do not engage with Inland Revenue on their default. The power is used in a targeted way after reasonable attempts to engage the borrower have been made, but its existence provides an important incentive for persistent defaulters to engage.

Before the power can be exercised, Inland Revenue must prove that the borrower knowingly failed to engage and pay the outstanding debt after receiving a notification. Discussions with Inland Revenue operational staff indicate that there can be difficulties both delivering the notification and demonstrating that the borrower has viewed and understood it. This is particularly difficult where borrowers deliberately avoid engaging with the notification. As a result, the credibility and effectiveness of the power is reduced, undermining its policy objective of incentivising OBBs to engage with Inland Revenue.

Summary of options considered for addressing the problem

In November 2025, the Cabinet Economic Policy Committee invited the Minister for Universities and the Minister of Revenue to report back on options to improve OBB compliance [ECO-25-MIN-0202 refers].

The short-term option identified as most likely to improve compliance was to address the current limitation in the arrest-at-border provision, so that it operates as a more credible incentive for borrowers to engage with Inland Revenue and resolve their default.

The options considered are:

- **Option one** – Status quo.
- **Option two** – Allow Inland Revenue to rely on prior engagement if the borrower does not engage with the notification *(preferred option).*
- **Option three** – Remove the knowledge requirement (creating a strict liability offence).

Is the Minister's preferred option in the Cabinet paper the same as the preferred option in the RAS?

Yes

Summary of the main benefits of the Minister's preferred option

Revenue information: s 18(c)(i) [redacted] it would strengthen the credibility of the arrest-at-border power and reinforce the incentive for borrowers to engage with Inland Revenue and meet their repayment obligations.

If more borrowers engage earlier and resolve their default, Inland Revenue may spend less time on repeated unsuccessful contact attempts and enforcement preparation.

Any increase in repayments or reduction in administrative costs has not been quantified because it will depend on borrower behaviour.

Summary of the main costs of the Minister's preferred option

For those OBBs that refuse to engage with Inland Revenue to resolve their default, they may be reluctant to return to New Zealand if they are concerned that they may be arrested at the border when they leave.

To the extent the number of arrests increases as a result of this amendment, there are resourcing costs for Inland Revenue, Police and the courts. However, given this power is used in a targeted way and as a last resort measure, s 18(c)(i) [redacted] therefore, these costs are expected to be minimal. s 18(c)(i) [redacted]

Does the RAS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

Yes. The RAS indicates that the benefits of the Minister's preferred option are likely to outweigh the costs.

The preferred option is expected to deliver ongoing, non-monetised, benefits by strengthening the credibility of the arrest-at-border power, encouraging earlier borrower engagement, and potentially reducing Inland Revenue's administrative effort. The costs are described as low and largely unquantified, including limited implementation costs, possible operational impacts for Police and the courts if arrests increase, and impacts on some borrowers in persistent default.

The RAS concludes the preferred option is expected to deliver positive net benefits compared with taking no action, while retaining key safeguards for borrowers.

Have any potential inconsistencies with the principles of responsible regulation in the Regulatory Standards Act been identified in relation to the Minister's preferred option?

No material inconsistencies have been identified in relation to the Minister's preferred option. The proposal may engage rights and freedoms protected by the New Zealand Bill of Rights Act 1990 because it strengthens an existing arrest-at-border enforcement power. However, these concerns are mitigated by the targeted nature of the proposal, the fact that the power remains a last-resort tool, and the retention of key safeguards. In particular, Inland Revenue must still demonstrate that the borrower was aware of the debt and knowingly failed to engage. The proposal is therefore considered more consistent with responsible regulation principles than the strict liability option, which would remove an important element of the current offence threshold and raise stronger rights concerns.

Limitations and constraints on analysis

Condensed timeframes	No	Constrained option set	Yes
Legislative constraints	Yes	Data and evidence gaps	Yes
Ministerial direction	Yes	Other	n/a
Limited public consultation	Yes		

Summary of limitations and constraints on analysis

The analysis was constrained by the targeted nature of the proposal, Ministerial direction to focus on short-term options to improve OBB compliance, and the need to address a specific limitation in the existing arrest-at-border provision. The option set was therefore limited to changes that could improve the operation of the current power. Public consultation with OBBs was not undertaken s 18(c)(i) [redacted] The analysis relies on available operational experience, borrower research, and compliance data, with some impacts unquantified because borrower behavioural responses are uncertain.

What are the implications of these limitations and constraints, and what has been done – or will be done – to mitigate and manage them?

These limitations mean some impacts cannot be fully quantified and there is less direct evidence from affected borrowers on how they may respond. This has been managed by drawing on Inland Revenue's operational experience, borrower research, compliance data, and targeted consultation with relevant agencies. The proposal also mitigates these constraints by making a targeted amendment to an existing last-resort power, retaining the requirement to show borrower knowledge and knowing non-engagement, and monitoring implementation through existing student loan compliance reporting and working arrangements with New Zealand Police and the courts.

I am satisfied that, given the available evidence, this RAS represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager's signature: s 9(2)(a)

Carolyn Elliott
Policy Lead, Inland Revenue
5 August 2026

Quality Assurance Statement	
Reviewing Agency: Inland Revenue	**QA rating:** Meets
Panel Comment: The quality assurance panel from Inland Revenue has reviewed the regulatory analysis summary (RAS) titled: *Amending the student loan arrest at border provision* prepared by Inland Revenue and considers that the information and analysis summarised in the RAS **meets** the quality assurance criteria.	

Section 1: Diagnosing the policy problem

What is the policy problem?

1. The Student Loan Scheme supports access to tertiary education by reducing financial barriers for students. This objective needs to be balanced against the cost of the Scheme to current and future taxpayers. The Scheme has different settings for New Zealand-based borrowers and OBBs, including different repayment rules[1] and the charging of interest on OBB loans.
2. Inland Revenue, which administers the Scheme, receives borrower location information from the New Zealand Customs Service. This gives Inland Revenue a relatively accurate basis for identifying OBBs and a fuller picture of their repayment compliance compared to other jurisdictions.
3. OBBs have significantly lower repayment compliance and slower repayment times than New Zealand-based borrowers. Only around 30% of OBBs meet their repayment obligations. Compliance declines sharply among cohorts of borrowers who have been overseas for longer periods.
4. Addressing low OBB compliance has been a persistent challenge for Inland Revenue. As at June 2026, total student loan debt was $2.7 billion, with OBBs accounting for 93% of that debt ($2.5 billion). Debt in this context only refers to the part of a student loan balance that is due to repaid but has not been paid (overdue payments, and late payment interest). There are approximately 113,000 OBBs, of whom 77,000 (68%) have overdue debt. By comparison, only 4.6% of New Zealand-based borrowers have overdue debt.
5. Inland Revenue's ability to improve compliance is constrained by limited jurisdictional reach overseas and by the difficulty of contacting some OBBs because contact information can be limited or out of date. OBBs must also actively decide to make repayments, whereas repayment for New Zealand-based borrowers is largely automated (through salary and wage deductions) and requires little or no action. Customer research suggests that some OBBs have a low sense of obligation or urgency to repay, limited incentives to repay, and a perception that there are few consequences for non-compliance.

Arrest-at-border power to incentivise compliance

6. Inland Revenue can seek a warrant to arrest OBB student loan defaulters when they attempt to leave New Zealand (after returning from overseas) if they do not engage with Inland Revenue on their default.[2]
7. The power was introduced in 2014 and is intended to deter persistent non-compliance and prompt borrowers to engage with their repayment obligations by creating a credible risk of enforcement when they return to New Zealand.

[1] New Zealand-based borrowers – repayments are income-based and largely automatic for salary and wage earners. OBBs – repayment obligations are based on loan size and require borrowers to actively arrange payments.

[2] The Commissioner of Inland Revenue can apply to the District Court to obtain a warrant (section 162B of the Student Loan Scheme Act 2011) for an OBB who has committed the criminal offence in section 162A and is about to leave or attempt to leave New Zealand.

8. The arrest-at-border power is a last-resort tool and is exercised on a case-by-case basis. This targeted measure is applied to the worst cases of default, while also acting as a deterrent to the wider group of borrowers. The credible threat of arrest is intended to encourage persistent defaulters to engage with Inland Revenue and resolve their default.

9. To obtain a warrant to arrest, Inland Revenue must prove to the court that the borrower has committed an offence (under section 162A of the Student Loan Scheme Act 2011) and is about to leave or attempt to leave New Zealand. The key parts of the offence are that the borrower:

   - is in default of their overseas-based repayment obligations, and
   - has been **notified** (section 211) of this default, and
   - has knowingly failed or refused to make reasonable efforts to pay or arrange to pay by the date specified in the **notification.**

10. Proving this offence is difficult if borrowers avoid engagement with the notification, s 18(c)(i) [redacted][3] This limits the effectiveness of the power s 18(c)(i) [redacted]

11. Discussions with Inland Revenue operational staff indicate there can be difficulties delivering the notification, and demonstrating that the borrower has viewed and understood it. While Inland Revenue does not record cases where a warrant was not sought, in these cases operational staff have indicated that this is a reoccurring issue.

12. The difficulty with engaging the OBB with the notification has contributed to a wider reluctance to use the power in certain cases, particularly because of the cost involved in pursuing borrowers who are deliberately attempting to avoid the notification. s 18(c)(i) [redacted]

What objectives are sought in relation to the policy problem?

13. The objective of this proposal is to restore the original policy purpose of the arrest-at-border provision, that is to prompt borrowers to engage with their repayment obligations by creating a credible risk of enforcement when they return to New Zealand.

14. s 18(c)(i) [redacted] The main purpose of the amendment is to strengthen the credibility of the power and increase the incentive for borrowers in default to contact Inland Revenue and resolve their debt. Borrowers can enter into instalment arrangements to repay overdue amounts and, in some circumstances, may be able to negotiate relief from late payment interest and core interest.

What external consultation has been undertaken?

15. The Ministry of Justice, New Zealand Police, and the Treasury were consulted on this proposal. The Treasury had no comment.

16. New Zealand Police noted that, if the number of arrests remained at a similar level, the impact on New Zealand Police would be minimal. However, if the amendment results in an increase in arrests at the border, it could increase operational pressure at airports to

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s 18(c)(i) [redacted]

manage arrests, as well as adding to court workloads. Any material increase in arrests would need to be managed operationally to avoid placing undue strain on frontline policing and judicial capacity.

17. No external consultation has been undertaken on this specific proposal because of the nature of the problem. s 18(c)(i) [redacted]

18. Inland Revenue has not undertaken specific research on the options. However, previous customer research has been conducted to better understand repayment behaviour and identify ways to improve compliance, which provides relevant insights. Borrowers interviewed were generally opposed to the arrest power and considered positive incentives (for example, debt relief measures and payment plans) to be stronger motivators for repayment. However, practical experience and testing indicates that compliance interventions are often most effective when both the consequences of non-compliance are clearly communicated and options for addressing the debt are available at the same time. This research has informed the development of the options.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options with the status quo?

19. The following criteria were used to assess the options:

- **Effectiveness:** Does the proposal achieve the objective?
- **Efficiency:** Does the proposal minimise costs for affected groups, including borrowers, Inland Revenue, Police, and the courts?
- **Proportionality:** Is the proposal proportionate to the scale and nature of the policy problem, including any limits on individual rights and freedoms?
- **Fairness and equity:** Does the proposal ensure borrowers are treated fairly and have a reasonable opportunity to resolve their student loan obligations?
- **Coherence:** Does the proposal fit coherently within the student loan and tax administration schemes?

What scope will options be considered within?

20. This proposal was considered in the context of a suite of measures aimed at improving OBB student loan compliance, where both regulatory and non-regulatory measures are being utilised.

21. Inland Revenue received $29 million of additional compliance funding in Budget 2024 to strengthen compliance and debt collection activity. Of this, $4 million was specifically allocated to increasing compliance activity for overdue student loan debt, particularly among OBBs.

22. A legislative change was also made in March 2026 to allow the Commissioner to provide relief from student loan core interest.[4] This extended the existing discretion to provide relief from late payment interest and is being used to help settle student loans that are in default. When this was considered, Cabinet invited the Minister for Universities and the Minister of Revenue to report back on options to improve OBB compliance [ECO-25-MIN-0202 refers].

23. Officials reported to Ministers on options to improve compliance. The options included improving international cooperation and progressing Inland Revenue's planned rebuild of the student loan administrative system. The rebuild is intended to improve the student loan repayment experience and support higher levels of compliance. However, both improved international cooperation and the system rebuild are medium- to long-term options and are unlikely to improve compliance in the short term.

24. The short-term option identified was to address the current limitation in the arrest-at-border provision.

What options are being considered?

Option One – Status quo

25. This option retains the current arrest-at-border provision. This requires the Commissioner to show that the borrower knowingly fails to engage with Inland Revenue to resolve the debt by the date set out in a notification to obtain a warrant. This requires a borrower to engage with the notification before an offence is committed.

26. Non-regulatory measures have been considered and deployed to address this problem, such as improving the process for providing the notification. Despite this, borrowers can still avoid engagement with the notification.

Option Two – Rely on prior engagement if the borrower does not engage with the notification (*preferred option*)

27. This option would retain the current offence provision but include an exclusion if Inland Revenue is unable to notify a borrower despite making reasonable efforts to engage with the borrower. In those circumstances, an offence would be committed if Inland Revenue can demonstrate, based on prior engagement with the borrower, that the borrower was aware of their debt and knowingly failed to engage with Inland Revenue to resolve it.

Option Three – Remove the knowledge requirement (creating a strict liability offence)

28. This option would amend the current offence provision by removing the knowledge requirement and instead making the offence strict liability. This would amend the arrest-at-border provision so that, regardless of whether the borrower engages with the notification, an offence is committed as long as Inland Revenue has made reasonable efforts to engage the borrower with the notification.

29. Inland Revenue would not have to demonstrate the borrower was aware of their obligations and knowingly failed to engage with Inland Revenue to resolve the debt.

[4] Section 145A of the Student Loan Scheme Act 2011, inserted by the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Act 2026.

How do the options compare with the status quo/counterfactual?

	Option One – Status quo	Option Two – Place greater weight on prior engagement if the borrower does not engage with notification	Option Three – Remove the knowledge requirement (creating a strict liability offence)
Effectiveness	0	+ Strengthens the credibility of the power and incentive to engage while retaining the knowledge requirement.	++ Likely to provide the strongest enforcement incentive because the power could be exercised without proving explicit borrower knowledge.
Efficiency	0	+ Uses evidence Inland Revenue already holds from earlier compliance activity, with limited additional operational cost.	- May reduce evidential burden but risks higher operational pressure if it leads to more arrests and court activity.
Proportionality	0	+ More proportionate than strict liability because it targets persistent non-engagement while retaining key safeguards, including the requirement to demonstrate borrower knowledge.	- Less proportionate and raises stronger NZBORA concerns because it removes the need to show that the borrower was aware of the debt and knowingly failed to engage.
Fairness and equity	0	+ Maintains borrower safeguards and better manages potential rights concerns while reducing the ability of persistent defaulters to avoid enforcement by not engaging with the notification.	- Raises fairness and rights concerns because enforcement could proceed without demonstrating borrower knowledge and knowing non-engagement.
Coherence	0	+ Fits coherently with the existing student loan enforcement framework by improving the operation of	- Less coherent with the existing framework because it would remove an important element of the current

		the current power while retaining the knowledge requirement.	offence threshold and create a more punitive enforcement model.
Overall assessment	0	++	--

Key for qualitative judgements

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
- -	much worse than doing nothing/the status quo/counterfactual

Section 3: Cost-benefit analysis

What are the additional costs and benefits of the preferred option in the Cabinet paper?

30. The preferred option is Option Two (*Place greater weight on prior engagement if the borrower does not engage with final notification*). This is expected to provide non-monetised benefits by strengthening the credibility of the arrest-at-border power and reinforcing the incentive for persistent defaulters to engage with Inland Revenue.

31. s 18(c)(i) [redacted] Rather, the main benefit is expected to come from reducing the ability of borrowers to avoid enforcement solely by not engaging with the notification, when Inland Revenue can demonstrate earlier reasonable efforts to contact the borrower and secure compliance.

32. The preferred option may improve compliance by encouraging some OBBs in default to contact Inland Revenue, enter into instalment arrangements, make repayments, or seek relief where appropriate. This may support additional repayments over time and reduce some administrative costs associated with repeated unsuccessful engagement attempts. However, these benefits have not been quantified because the behavioural response of borrowers is uncertain because the use of the power is assessed on a case-by-case basis.

33. The preferred option is not expected to have a fiscal impact. No savings were booked when the arrest-at-border power was introduced because of uncertainty about its impacts, and the same approach has been taken for this amendment. Any increase in repayments would depend on borrower behaviour and has not been forecast.

34. The main costs are non-monetised. Some OBBs who are in persistent default and refuse to engage with Inland Revenue may face increased pressure to resolve their debt and may be reluctant to return to New Zealand if they are concerned they could be arrested when attempting to leave.

35. The amendment may raise issues relating the right to be free from arbitrary arrest and detention, the right to natural justice, and, to a lesser extent, the right to freedom of movement. The existing knowledge element serves as a safeguard against penalising borrowers who may be unaware of their default or Inland Revenue's attempts to contact them. The amendment seeks to balance these considerations with the need for a rule that is practical and workable to administer. It preserves a high threshold for exercising the power, requiring Inland Revenue to demonstrate that the borrower had sufficient knowledge of their student loan obligations and knowingly chose not to comply before the power can be used.

36. There may also be operational costs if the amendment results in more arrests at the border, including additional demands on New Zealand Police to manage arrests at airports, and additional court workload.

37. s 18(c)(i) [redacted]

38. Overall, the benefits of the preferred option are expected to outweigh the costs. The proposal strengthens the credibility and effectiveness of an existing last-resort enforcement tool, while retaining the requirement for Inland Revenue to demonstrate that

the borrower was aware of the debt and knowingly failed to engage. This helps manage potential Bill of Rights concerns and makes the preferred option more proportionate than a strict liability approach, and more effective than the status quo.

Cost-benefit analysis

Nature of the benefit/cost to New Zealand	Dollar value of impact (or quantified impact)	Scale of unquantifiable impact	Nature of impact – one-off or ongoing	Source of evidence
Additional benefits of the preferred option compared with taking no action				
Stronger incentive for persistent defaulters to engage with Inland Revenue.	Not quantified. Any additional repayments would depend on borrower behaviour and have not been forecast.	Moderate. The amendment is expected to strengthen the credibility of the arrest-at-border power, but the power is expected to remain a last-resort tool and be used in a targeted way.	Ongoing	Policy analysis; Inland Revenue operational experience; borrower research on barriers to repayment and motivations to comply.
Reduced ability for borrowers to avoid enforcement by not engaging with the notification.	Not quantified.	Moderate. The preferred option addresses the specific limitation that allows persistent defaulters to avoid the power by not engaging with the notification, while retaining the requirement to demonstrate borrower knowledge and knowing non-engagement.	Ongoing	Policy analysis; Inland Revenue operational experience with delivering notifications and evidencing borrower engagement.
Potential reduction in Inland Revenue's ongoing administrative costs.	Not quantified. Any reduction in administrative costs would depend on borrower behaviour and the extent to which borrowers engage earlier, enter repayment arrangements, or resolve their default.	Low to moderate. If more borrowers contact Inland Revenue earlier, Inland Revenue may spend less time on repeated unsuccessful contact attempts and enforcement preparation.	Ongoing	Policy analysis; Inland Revenue operational experience with repeated contact attempts and enforcement preparation.
Total annual benefits	Not quantified	Moderate, benefits unquantified	Ongoing	Policy judgement based on the evidence above.

Total one-off benefits	None identified	No material one-off benefits identified	One-off	Policy analysis.
Additional costs of preferred option compared with taking no action				
Increased financial pressure on some OBBs in persistent default to resolve their debt.	Not quantified.	Low to moderate. The impact is limited to non-compliant borrowers who remain in default despite Inland Revenue's earlier efforts to contact them and get them back to compliance.	Ongoing	Policy analysis; borrower research; Inland Revenue operational experience.
Possible reluctance for some borrowers in default to return to New Zealand.	Not quantified.	Low. s 18(c)(i) [redacted] some borrowers may be concerned about enforcement when attempting to leave New Zealand.	Ongoing	Policy analysis; assessment of borrower impacts.
Potential human rights impacts for borrowers in persistent default.	Not quantified.	Low to moderate. The proposal may raise issues relating to the right to be free from arbitrary arrest and detention, the right to natural justice, and, to a lesser extent, the right to freedom of movement because it strengthens an existing arrest-at-border power. This is mitigated by the targeted nature of the proposal, the last-resort nature of the power, and the retention of the requirement to demonstrate borrower knowledge and knowing non-engagement.	Ong oing	Policy analysis; Ministry of Justice stressed the importance of Inland Revenue demonstrating that the borrower had sufficient knowledge of their student loan obligations and knowingly chose not to comply before the power can be exercised.
Possible operational impacts for Police and the courts if arrests increase.	Not quantified.	Low. New Zealand Police noted potential operational pressure if arrests increase. s 18(c)(i) [redacted] so any additional	Ongoing	New Zealand Police consultation feedback; Inland Revenue expectation that the power will remain used in a targeted way.

		pressure is expected to be limited and manageable.		
Implementation costs.	Not quantified. Expected to be met within existing baselines.	Low. Implementation would involve updating operational guidance and processes for assessing prior engagement and reasonable efforts to engage through the notification process.	One-off	Inland Revenue implementation assessment.
Total annual costs	Not quantified.	Low, unquantified ongoing costs expected, partly offset by potential reductions in Inland Revenue administrative effort.	Ongoing	Policy judgement based on the evidence above.
Total one-off costs	Not quantified; expected to be met within existing baselines.	Low	One-off	Inland Revenue implementation assessment.
Net impacts compared with taking no action				
Total annual benefits minus costs	Not quantified.	Expected to be positive overall. Ongoing benefits are expected to outweigh the low ongoing costs, particularly if earlier borrower engagement reduces Inland Revenue's administrative effort.	Ongoing	Overall cost-benefit assessment.
Total one-off benefits minus costs	Not quantified.	Expected to be slightly negative. One-off implementation costs are expected to be low and met within existing baselines.	One-off	Overall cost-benefit assessment.

Are the benefits of the preferred option in the Cabinet paper expected to exceed the costs?

39. Yes. The benefits of the preferred option are expected to exceed the costs. Although the benefits have not been monetised, the preferred option is expected to provide ongoing benefits by strengthening the credibility of the arrest-at-border power, encouraging earlier borrower engagement, and potentially reducing Inland Revenue's administrative effort associated with repeated unsuccessful contact attempts and enforcement preparation.

40. The costs are expected to be low and largely unquantified, including limited implementation costs, potential operational impacts for Police and the courts if arrests increase, and impacts on some borrowers in persistent default. Overall, the preferred option is expected to deliver positive net benefits compared with taking no action, while retaining key safeguards for borrowers.

What are the impacts on different groups of the preferred option compared with taking no action?

41. The preferred option impacts OBBs that are non-compliant and do not engage with Inland Revenue to address their student loan debt. These are typically New Zealand residents that have completed tertiary studies in New Zealand and are currently overseas. Currently, there are approximately 113,000 OBBs, 54% female and 46% male, with an average age of 41 years. Inland Revenue does not collect ethnicity data for this group.

42. The proposal is not expected to disproportionately affect OBBs on the basis of population characteristics such as age, ethnicity, disability, gender, or location. The proposal is targeted at borrower behaviour, specifically persistent non-engagement and default, rather than any particular population group. Potential Bill of Rights impacts are mitigated by the targeted nature of the proposal, the last-resort nature of the power, and the retention of the requirement for Inland Revenue to demonstrate that the borrower was aware of the debt and knowingly failed to engage.

Distributional analysis

Affected groups	How they are affected	Description of level of impact(s)	Source of evidence
OBBs in persistent default who have not engaged with Inland Revenue	Face a stronger incentive to contact Inland Revenue, enter into an instalment arrangement, make repayments, or seek relief where appropriate.	Moderate impact. This group is most directly affected because the proposal targets persistent non-engagement and default. Some borrowers may feel greater pressure to resolve their debt or may be reluctant to return to New Zealand if concerned about arrest when attempting to leave. The proposal may also engage rights and freedoms for this group when arrest is contemplated, although safeguards are retained.	Policy analysis; Inland Revenue operational experience; borrower research.
Inland Revenue	May be better able to rely on evidence from earlier reasonable efforts to engage with the borrower when they do not engage with the notification.	Low to moderate positive impact. Earlier borrower engagement may reduce repeated unsuccessful contact attempts and enforcement preparation. Implementation impacts are expected to be low and met within existing baselines.	Inland Revenue operational experience; policy analysis.
New Zealand Police and the courts	Could face additional operational pressure if the amendment results in more arrests at the border, including additional demands on Police to manage arrests, and additional court workload from arrest warrants or related court activity.	Low impact. s 18(c)(i) [redacted] so any additional pressure on Police or the courts is expected to be limited and manageable.	New Zealand Police consultation feedback; Inland Revenue expectation that the power will remain used in a targeted way; policy analysis.
Wider taxpayers and the Crown	May benefit if improved engagement supports higher repayments over time and helps maintain the value of the Student Loan Scheme.	Low to moderate positive impact, but not quantified. Any benefit depends on borrower behaviour and is not expected to create a forecast fiscal impact.	Policy analysis; student loan debt and compliance data.

Conclusion

Which option is the most effective, efficient, and proportionate response to the problem?

43. Option Two is the most effective, efficient, and proportionate response to the problem. It is more effective than the status quo because it strengthens the credibility of the arrest-at-border power and reduces the ability of persistent defaulters to avoid enforcement by not engaging with the notification.

44. The status quo is not preferred because it would leave the current limitation in place, s 18(c)(i) [redacted] even when Inland Revenue has made earlier reasonable efforts to contact them and secure compliance. This undermines the credibility of the power and limit its effectiveness as an incentive to engage.

45. Option Two is more efficient because it uses evidence Inland Revenue already holds from earlier compliance activity, with limited additional operational cost, and may reduce administrative effort if more borrowers engage earlier and resolve their default. It is also more proportionate than the strict liability option because it targets persistent non-engagement while retaining the requirement for Inland Revenue to show that the borrower was aware of the debt and knowingly failed to engage.

46. Option Three may provide a stronger enforcement incentive, but it raises fairness, proportionality, coherence, and rights concerns because it would remove an important safeguard from the current offence threshold.

47. Overall, Option Two best balances effectiveness, efficiency, proportionality, fairness, coherence, and rights considerations. It is the preferred option in both the Cabinet paper and this RAS because it strengthens the existing power while retaining safeguards that help manage potential Bill of Rights concerns.

Section 4: Delivering an option

What are the next steps for implementing the legislation?

48. The legislative amendment would be progressed through the 2026–27 Annual Rates Bill, subject to Cabinet agreement. Inland Revenue's drafting team will work with the Parliamentary Counsel Office to draft the amendment to the Student Loan Scheme Act 2011.

49. Inland Revenue would be responsible for implementing the amendment. Implementation would involve updating operational guidance, decision-making processes, and staff instructions for cases where the arrest-at-border power may be considered. This would include guidance on what evidence is needed to demonstrate earlier reasonable efforts to contact the borrower and secure compliance, and what constitutes reasonable efforts to engage the borrower through the notification process.

50. Inland Revenue would also continue to work with New Zealand Police, other relevant agencies and the courts to manage any operational implications when the power is used. s 18(c)(i) [redacted] so implementation is expected to be manageable within existing baselines of relevant agencies involved with exercising this power. Any operational issues would be monitored through existing working arrangements between Inland Revenue, Police, and the courts.

How will the proposal be monitored, evaluated, and reviewed?

51. Inland Revenue will monitor the proposal through its existing student loan compliance and debt management reporting. This will include tracking whether more OBBs in default engage with Inland Revenue after receiving contact about their overdue debt, enter into instalment arrangements, make repayments, or otherwise resolve their default.

52. Inland Revenue will also monitor use of the arrest-at-border power, including the number of OBBs for whom the power may be appropriate, the number of warrants sought, and the number of arrests made. This will help assess whether the amendment is operating as intended as a credible last-resort incentive to engage, rather than materially increasing arrests at the border.

53. Operational impacts will be monitored through Inland Revenue's existing working arrangements with New Zealand Police and the courts. This will include monitoring whether the amendment creates any unexpected operational pressure, including additional Police presence at airports or increased court workload.

54. Inland Revenue will review the effectiveness of the amendment as part of its ongoing stewardship of the Student Loan Scheme and tax administration system, including whether any further operational or legislative changes are needed.