



3 April 2025

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), transferred from the Treasury to Inland Revenue on 6 March 2025. You requested the following:

- 1. Inland Revenue Report IR2025/019: Revised Cabinet paper – Student Loan Scheme Repayment Threshold*
- 2. Inland Revenue Briefing Note BN2025/031: 2025-26 Student loan repayment threshold*

Information being released

I am releasing documents 1 and 2 to you in part, attached, with some information withheld under section 9(2)(a) of the OIA, to protect the privacy of natural persons.

I am refusing the attachment to document 1 in full under section 18(d) of the OIA as it is publicly available on Inland Revenue's Tax Policy website: www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2025/ir-cab-25-sub-0012.pdf?modified=20250312212547&modified=20250312212547

As required by section 9(1) of the OIA, I have considered whether the grounds for withholding the information requested is outweighed by the public interest. In this instance, I do not consider that to be the case.

Right of review

If you disagree with my decision on your OIA request, you can ask an Inland Revenue review officer to review my decision. To ask for an internal review, please email the Commissioner of Inland Revenue at: commissionerscorrespondence@ird.govt.nz.

Alternatively, under section 28(3) of the OIA, you have the right to ask the Ombudsman to investigate and review my decision. You can contact the office of the Ombudsman by email at: info@ombudsman.parliament.nz.

If you choose to have an internal review, you can still ask the Ombudsman for a review.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, may be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you again for your request.

Yours sincerely



Carolyn Elliott

Policy Lead – Tax Administration



POLICY AND REGULATORY STEWARDSHIP

Tax policy report: Revised Cabinet paper - Student Loan Scheme Repayment Threshold

Date:	22 January 2025	Priority:	High
Security level:	Sensitive - Budget	Report number:	IR2025/019 METIS 1342037

Action sought

	Action sought	Deadline
Minister of Revenue	<p>Agree to recommendations</p> <p>Refer this report to the Minister of Finance for their information</p> <p>Lodge the enclosed Cabinet paper by 9:00 a.m., 23 January 2025</p>	9:00 a.m., 23 January 2025
Minister for Tertiary Education and Skills	Agree to recommendations	9:00 a.m., 23 January 2025

Contact for telephone discussion (if required)

Name	Position	Telephone
Carolyn Elliott	Policy Lead	9(2)(a) [REDACTED]
Josh Fowler	Senior Policy Advisor	9(2)(a) [REDACTED]
Ella Patterson	Policy Advisor	
Mary Dooley	Acting Senior Policy Manager, Ministry of Education	9(2)(a) [REDACTED]

22 January 2025

Minister of Revenue
Minister for Tertiary Education and Skills

Revised Cabinet paper - Student Loan Scheme Repayment Threshold

1. On 15 January 2025 we provided you with further information about the financial implications of adjusting the student loan repayment threshold and includes a revised Cabinet paper for your consideration (IR2025/006 | METIS 1341754 refers).
2. Following this advice, the Minister of Finance requested the Cabinet paper should be revised to propose the student loan repayment threshold be frozen at the current income level of \$24,128 per annum for the foreseeable future.
3. This report provides you with further information about the process for freezing the repayment threshold and a revised cabinet paper for your consideration.

Fiscal implications

4. As outlined in previous advice (IR2025/006 | METIS 1341754 refers) the savings associated with a one-off freeze of the repayment threshold include an operating saving of \$7.674 million over 5 years and a one-off increase in the value of the student loan asset of around \$13.017 million in 2024/25.
5. Given time constraints, it has not been possible to provide comprehensive costings of an indefinite freeze of the repayment threshold. A very vague indication would be that freezing the domestic repayment threshold indefinitely would increase the value of the student loan book by between \$50 - \$100 million and have ongoing annual savings of between \$5 to \$20 million. No modelling has been undertaken and we have low confidence in these estimates.
6. The currently agreed approach to manage the financial impacts of student loans outside Budget allowances. The Cabinet paper proposes authorising the Minister of Finance to determine allowance treatment as part of developing Budget 2025.
7. Officials from the Ministry of Education will lead in providing advice on fiscal implications of the proposed policy change for Budget 2025.

Implications for Cabinet and payroll providers

8. We should also note that payroll providers require at least six weeks' notice of changes to the specifications. Inland Revenue will communicate the changes to payroll providers following Cabinet determination of this issue. This will allow Inland Revenue to communicate the changes to payroll providers before the commencement of the 2025-26 tax year.
9. If Cabinet does not agree to freeze the student loan repayment threshold, then we will need to seek further Cabinet decisions to adjust the student loan repayment threshold by CPI. However, if this occurs, we will be unable to give payroll providers the required six weeks' lead time to update their payroll specifications.

Recommended action

We recommend that you:

- a) **Note** that the current Cabinet policy is to adjust the student loan repayment threshold by CPI each year, and that choosing to freeze this threshold at its current level indefinitely would represent the suspension of the existing Cabinet policy.

Noted

Noted

- b) **Note** that a Cabinet decision must be made on the student loan repayment threshold by 28 January 2025 in order to give payroll providers the required notice of changes for the 2025/26 tax year.

Noted

Noted

- c) **Agree** to indefinitely freeze the current policy of adjusting the student loan repayment threshold by CPI, keeping the threshold at the current income level of \$24,128 per annum.

Agreed/Not Agreed

Agreed/Not Agreed

- d) **Note** that the fiscal impact for an indefinite freeze of the student loan repayment threshold is yet to be determined.

Noted

Noted

- e) **Note** that the Cabinet paper proposes that financial implications for the freeze will be agreed through the Budget technical process.

Noted

Noted

- f) **Note** that the Cabinet paper proposes the authorisation of the Minister of Finance to determine allowance treatment as part of developing Budget 2025.

Noted

Noted

- g) **Agree** that the Minister of Revenue take the attached Cabinet paper to Cabinet.

Agreed/Not Agreed

Agreed/Not Agreed

- h) **Agree** to proactively release the Cabinet paper, associated minutes, and key 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

Agreed/Not Agreed

- i) **Refer** this report to the Minister of Finance for their information.

Referred/Not referred

9(2)(a)



Carolyn Elliott

Policy Lead
Inland Revenue

9(2)(a)



Mary Dooley

Acting Senior Policy Manager
Ministry of Education

Hon Simon Watts

Minister of Revenue
/ /2025

Hon Penny Simmonds

Minister for Tertiary Education and Skills
/ /2025



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Briefing note

Reference: BN2025/031
Date: 30 January 2025
To: Revenue Advisor, Minister of Revenue – Angela Graham
Acting Private Secretary, Minister of Revenue – Mili Herrera
Emma Grigg
From: Ella Patterson
Subject: 2025-26 Student loan repayment threshold

Student loan repayment threshold and payroll specifications

1. On 28 January, Cabinet agreed to indefinitely freeze the current policy of adjusting the student loan repayment threshold by CPI, keeping the threshold at the current income level of \$24,128 per annum.
2. Attached to this briefing note are key messages intended to assist the Minister of Revenue if any questions arise. We have also provided these messages to the Ministry of Education to share with the Minister for Universities and the Minister for Vocational Education.

Release of 2025-26 payroll specifications

3. Inland Revenue issues payroll specifications to payroll software providers. These allow payroll providers to ensure that their software reflects employers' tax and withholding obligations for the upcoming tax year (i.e. 1 April 2025 - 31 March 2026)
4. The payroll specifications will be released on **3 February 2025** (i.e. this coming Monday).
5. Once the payroll specifications are released, Inland Revenue will publish information about the freezing of the student loan repayment threshold on the student loan section of Inland Revenue's website.
6. Inland Revenue will publish an article about this matter in the Tax Information Bulletin.

Ella Patterson
Policy Advisor
9(2)(a)

Freezing the student loan repayment threshold at \$24,128

Key messages

- 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 and tends to be adjusted for inflation annually.
- The repayment threshold was set at \$24,128 in 1 April 2024. Cabinet has agreed to freeze the repayment threshold indefinitely, so it will remain at that level for subsequent tax years, without inflation adjustments.
- This decision takes into account the current economic climate, the cost of the student loan scheme and the need to maintain careful Government spending.
- The approximate impact of a one-off freeze of the repayment income threshold for 2025/26 would be an operating savings of \$7.674 million over 5 years (from 2024/2025 to 2028/29) and an additional one-off increase in the value of the student loan asset of \$13.017 million in 2024/25. A continued freeze would multiply these savings.
- The inflationary effect on income means that the bulk of the savings will be generated by borrowers already over the repayment threshold.
- Our student support system aims to maintain high participation levels while balancing tertiary education costs for taxpayers and for borrowers.
- New Zealand is in the top five of reporting OECD nations for the share of students receiving public financial support, with nearly three-quarters of New Zealand tertiary domestic students receiving some form of publicly supported student loan or grant.
- The Government's contribution towards the cost of study is significant, at 82% in 2023. New Zealand also provides student allowances for those most in need and in their initial years of study.
- All New Zealand-based borrowers with a current repayment obligation (approximately 370,000 people) are effectively being asked to pay off their loans slightly more quickly.
- New Zealand based borrowers who are facing hardship meeting their repayment obligations can apply for a reduced deduction rate from their salary and wages.

Q&As

Q. What is happening to the student loan repayment threshold?

A: The repayment threshold is remaining at the current level and will not be adjusted by inflation. The decision to suspend inflation adjustments to the repayment threshold takes into account the current economic climate, the cost of the Student Loan Scheme asset to the Crown and the need to maintain careful spending.

Suspending inflation adjustment of the repayment threshold will increase the amount collected in repayments by increasing over time the amount that people repay as their income increases.

Q. When does it come into effect?

A: The repayment threshold was set at \$24,128 from 1 April 2024 and will remain at that level.

Q. How much more will people pay as a result of this policy?

A: On average people will pay an estimated extra \$1.20 per week in 2025.

Q. Who does this affect?

A: All New Zealand-based borrowers with a repayment obligation are effectively being asked to pay slightly more due to the freeze of the inflation adjustment of the repayment threshold.

Q. How much will this policy save the Government?

A: Maintaining the threshold at the same level for 2025/26 will have an estimated five-year operating saving of \$7.674 million and an additional one-off increase in the value of the student loan asset of \$13.017 million in 2024/25. A continued freeze would multiply these savings.

Q. How long will the freeze of the repayment threshold last?

A: Cabinet has decided to freeze the threshold indefinitely. This decision may be revisited when the fiscal situation improves.

Q. Will the freeze impact overseas based borrowers?

A: The freezing of the threshold adjustment will not impact overseas based borrowers as their student loan repayment obligations are based on the size of their student loan balance and are not income contingent.