

In Confidence

Office of the Minister for Social Development and Employment
Chair, Cabinet Legislation Committee

**STUDENT ALLOWANCES AMENDMENT REGULATIONS (NO 2)
2024**

Proposal

- 1 This paper seeks Cabinet approval to submit the Student Allowances Amendment Regulations (No 2) 2024 to the Executive Council, which will maintain the current abatement regime for Student Allowance payments for students under 24 years of age once personal income tax thresholds are increased on 31 July 2024.

Policy

Background

- 2 The Student Allowances Regulations 1998 (the Regulations) provides targeted financial assistance to assist students to undertake secondary and tertiary education. Under the Regulations, two Student Allowance payments are available for single students under 24 years of age (with no supported children). Which payment the student receives depends on whether they live at home with their parents or away from home.
- 3 In 2004, Cabinet agreed to set a 25 percent net abatement rate for these two Student Allowance payments, meaning the net payment is reduced by \$0.25 for each dollar of gross parental income over the parental income threshold [CAB Min (04) 11/9 refers].¹
- 4 The two Student Allowance payments and the parental income requirements are expressed as gross dollar amounts in the Regulations. Therefore, clause 3 of Schedule 2 of the Regulations prescribes two gross parental income abatement calculations.² These calculations reflect Cabinet’s 2004 decision by deducting a gross amount from the payment that equates to a 25 percent abatement rate after the deduction of tax.

¹ For the purposes of this paper, “net” means after the deduction of personal income tax, and “gross” means before the deduction of personal income tax.

² The gross parental income abatement calculations for students living in a parental home and away from a parental home are currently expressed in the Regulations, respectively, as:

$(30.30303\% \times (\text{the amount of item } A \text{ up to a maximum of } \$114.25)) + (27.93296\% \times (\text{any amount of item } A \text{ exceeding } \$114.25))$

$(30.30303\% \times (\text{the amount of item } A \text{ up to a maximum of } \$292.74)) + (27.93296\% \times (\text{any amount of item } A \text{ exceeding } \$292.74))$

where — *A* is the average gross weekly income of the student’s parents or parent less \$1,315.65.

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Interaction with the Budget 2024 changes to personal income tax thresholds

- 5 On 29 April 2024, Cabinet agreed as part of Budget 2024 that the following rates of personal income tax should be applied for each dollar of income from 31 July 2024:

Rate	Lower threshold limit	Upper threshold limit
10.5%	-	\$15,600
17.5%	\$15,601	\$53,500
30%	\$53,501	\$78,100
33%	\$78,101	\$180,000
39%	\$180,001	No upper limit

- 6 Cabinet also noted that tax threshold increases have a flow-on effect to the gross parental income abatement calculation in the Regulations and that they must be amended to ensure 25 percent net abatement is maintained [CAB-24-MIN-0148 refers].
- 7 If not amended, students receiving an abated payment based on gross parental income will have an abatement rate higher than 25 percent. They will not experience the benefit of the income tax threshold increase, unlike students who receive the full rate of Student Allowance.
- 8 The Student Allowances Amendment Regulations (No 2) 2024 replace:
- 8.1 “\$292.74” with “\$191.20” in each place in schedule 2, clause 3(3);
- 8.2 “\$114.25” with “\$12.71” in each place in schedule 2, clause 3(4).
- 9 This amendment will maintain existing policy, incur no additional fiscal cost, and give appropriate effect to the increase in personal income tax thresholds occurring on 31 July 2024.

Timing and 28-day rule

- 10 If approved, the legislative paper will be submitted to the Executive Council for consideration on Monday 24 June 2024. This timing is consistent with Rule 7.100 of the Cabinet Manual (the ‘28-day rule’) as it will enable the Amendments to be gazetted 28 days before they come into force.

Compliance

- 11 The Student Allowances Amendment Regulations (No 2) 2024 comply, where applicable, with each of the following:
- 11.1 the principles of the Treaty of Waitangi;
- 11.2 advice from the Treaty Provisions Officials Group on any Treaty of Waitangi provisions;

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- 11.3 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
- 11.4 the principles and guidelines set out in the Privacy Act 2020
- 11.5 relevant international standards and obligations;
- 11.6 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

Regulations Review Committee

- 12 There are no grounds for the Regulations Review Committee to draw the Orders or Amendment Regulations to the attention of the House under Standing Order 327.

Certification by Parliamentary Counsel

- 13 The Student Allowances Amendment Regulations (No 2) 2024 have been certified by the Parliamentary Counsel Office (PCO) as being in order for submission to Cabinet.

Impact Analysis

- 14 On 29 April, Cabinet invited the Minister for Social Development and Employment to issue drafting instructions to PCO to maintain the existing 25 percent net abatement setting [CAB-24-MIN-0148 refers]. As this decision maintains the established policy settings, no Regulatory Impact Statement is required.

Publicity

- 15 As part of the legislative requirement, the Student Allowances Regulations Amendment will be notified in the New Zealand Gazette at a minimum of 28 days before they come into force.

Proactive release

- 16 I intend to proactively release this Cabinet paper within standard timeframes.

Consultation

- 17 The Treasury, Ministry of Education and Inland Revenue have been consulted and agree with the recommendations in this paper.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 5 April 2004 Cabinet agreed that Student Allowance payments for those under 24 years of age have a net (after tax) abatement rate of 25 percent for each dollar of gross parental income over the parental income threshold [CAB Min (04) 11/9 refers];

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2 **note** that on 29 April 2024 Cabinet:

2.1 agreed that the following rates of personal income tax should be applied for each dollar of income:

Rate	Lower threshold limit	Upper threshold limit
10.5%	-	\$15,600
17.5%	\$15,601	\$53,500
30%	\$53,501	\$78,100
33%	\$78,101	\$180,000
39%	\$180,001	No upper limit

2.2 agreed that all personal income tax threshold changes should be effective from 31 July 2024

2.3 invited the Minister for Social Development and Employment to issue drafting instructions to the Parliamentary Counsel Office to draft amendments to the Student Allowances Regulations 1998 that maintain the policy settings in recommendation 1 above [CAB-24-MIN-0148 refers].

3 **authorise** the submission of the Student Allowances Amendment Regulations (No 2) 2024 to the Executive Council;

4 **note** that the Student Allowances Amendment Regulations (No 2) 2024 will come into force on 31 July 2024.

Authorised for lodgement

Hon Louise Upston

Minister for Social Development and Employment