

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

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Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] Not in scope
- [13] 7(b) - to prevent prejudice to relations between any of the Governments of New Zealand, the Cook Islands or Niue
- [14] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



22 APR 2013

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## Minute of Decision

*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.*

### Budget 2013 Package: Vote Revenue

Portfolio: Revenue

On 15 April 2013, Cabinet:

- 1 **approved** the Budget initiatives for the above Vote for inclusion in the 2013 Budget package, as listed in the summary below and detailed in the attached initiative documents;

#### Summary of initiatives included in the attached initiative documents:


##### Operating Initiatives (Impact on Operating Balance)

Initiative ID	Initiative Name	\$m - increase/(decrease)				
		2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
7853	Implementing Student Support Changes	-	3.841	-	-	-
7713	Property Compliance Initiative Continuation	-	-	(38.350)	(38.350)	(38.350)
7714	Student Loans Overseas-Based Borrowers Compliance Initiative Continuation	-	-	(20.150)	(20.150)	(20.150)
7884	Additional Flexibility for Highly Performing Private Training Establishments	-	2.497	4.057	3.750	3.489
7883	Continue 99-105% Tolerance Bands	-	1.261	1.590	1.426	1.251
7881	Extending the Student Support Stand-Down Period for Permanent Residents	-	-	(0.475)	(2.298)	(3.823)
7882	Removing Student Allowances Eligibility for Those Aged 65 and Over	-	(0.130)	(0.444)	(0.546)	(0.627)
7893*	20 Additional Medical Places	-	0.078	0.175	0.276	0.431
<b>Total Operating</b>		-	<b>7.547</b>	<b>(53.597)</b>	<b>(55.892)</b>	<b>(57.779)</b>

\*refer to the attached initiative document of the outyear implications

- 2 **approved** the changes to appropriations to implement the initiatives, as set out in the attached initiative documents;
- 3 **approved** the additional recommendations to give effect to the initiatives, as set out in the attached initiative documents;
- 4 **authorised** the Minister of Finance and the Minister of Revenue to approve jointly any technical adjustments to baselines necessary to remove any errors or inconsistencies identified while finalising the 2012/13 Supplementary Estimates, the 2013/14 Estimates and the fiscal forecasts;
- 5 **noted** that all communications relating to the 2013 Budget are co-ordinated by a Budget communications committee, and that any requests for early announcement will need to have both the written approval of the Minister of Finance and sign-off from the Prime Minister's office;

[6]

 Secretary of the Cabinet

Reference: CAB (13) 203

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Initiative No: 7853

**Vote:** Revenue**Title:** Implementing Student Support Changes**Description:** Implementing student loan policies relating to overseas-based borrowers, including: new arrest sanctions (from July 2013), new repayment thresholds and fixing repayment obligations (both from 1 April 2014).**Appropriation changes**

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	3.841	-	-	-
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>3.841</b>	-	-	-

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Departmental Output Expenses:</b>					
Services to Inform the Public About Entitlements and Meeting Obligations (funded by revenue Crown)	-	0.800	-	-	-
Services to Process Obligations and Entitlements (funded by revenue Crown)	-	3.041	-	-	-
<b>Total Operating</b>	-	<b>3.841</b>	-	-	-
<b>Total Capital</b>	-	-	-	-	-

Initiative No: 7713

Vote: Revenue

Title: Property Compliance Initiative Continuation

**Description:** Extending the Budget 2010 property compliance initiative, which focuses on improving the integrity of the tax system by ensuring the appropriate level of tax is assessed on speculative activity in the residential property market and, more generally, on property-related tax compliance.

**Appropriation changes**

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	-	6.650	6.650	6.650
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	-	<b>6.650</b>	<b>6.650</b>	<b>6.650</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Departmental Output Expenses:</b>					
Management of Debt and Outstanding Returns (funded by revenue Crown)	-	-	1.650	1.650	1.650
Taxpayer Audit (funded by revenue Crown)	-	-	5.000	5.000	5.000
<b>Total Operating</b>	-	-	<b>6.650</b>	<b>6.650</b>	<b>6.650</b>
<b>Total Capital</b>	-	-	-	-	-

**Additional recommendation**

8 **noted** that as a result of this initiative there is forecast to be an increase in revenue assessed and a corresponding impact in the operating balance, as set out in the following table:

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Tax Revenue	-	-	45.000	45.000	45.000
<b>Operating Balance Impact</b>	-	-	<b>(45.000)</b>	<b>(45.000)</b>	<b>(45.000)</b>

Initiative No: 7714

Vote: Revenue

Title: Student Loans Overseas-Based Borrowers' Compliance Initiative Continuation

Description: Extending the Budget 2011 student loans Overseas-Based Borrowers' Compliance Initiative, which seeks to improve the level of repayments and overall compliance for defaulting student loan borrowers, primarily in Australia and the United Kingdom, through a range of interventions.

**Appropriation changes**

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	-	4.850	4.850	4.850
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	-	<b>4.850</b>	<b>4.850</b>	<b>4.850</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Departmental Output Expense:</b>					
Management of Debt and Outstanding Returns (funded by revenue Crown)	-	-	4.850	4.850	4.850
<b>Total Operating</b>	-	-	<b>4.850</b>	<b>4.850</b>	<b>4.850</b>
<b>Total Capital</b>	-	-	-	-	-

**Additional recommendation**

9 **noted** that as a result of this initiative there is forecast to be an increase in revenue assessed and a corresponding impact in the operating balance, as set out in the following table:

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Student Loans Receipts	-	-	25.000	25.000	25.000
<b>Operating Balance Impact</b>	-	-	<b>(25.000)</b>	<b>(25.000)</b>	<b>(25.000)</b>

Initiative No: 7884

Vote: Revenue

Title: Additional Flexibility for Highly Performing Private Training Establishments

Description: Student support costs associated with extra flexibility for high-performing Private Training Establishments to enrol more students above their funding caps (1000 equivalent full time students per annum from 2014). This helps achieve the Better Public Services result 4 target.

### Appropriation changes

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	2.497	4.057	3.750	3.489
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	2.497	4.057	3.750	3.489

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Non-Departmental Other Expense:</b>					
Initial Fair Value Write-Down Relating to Student Loans	-	2.569	4.533	4.668	4.827
<b>Total Operating</b>	-	2.569	4.533	4.668	4.827
<b>Total Capital</b>	-	-	-	-	-

### Additional recommendations

10 **noted** that as a result of this initiative there is forecast to be an increase in interest collected from Student Loans and a corresponding impact in the operating balance, as set out in the following table:

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Non-Tax Revenue:</b>					
Interest on Impaired Student Loans	-	0.072	0.476	0.918	1.338
<b>Operating Balance Impact</b>	-	(0.072)	(0.476)	(0.918)	(1.338)

**Initiative No: 7884**

- 11 **noted** that there is an associated Tertiary Education Budget package initiative in Vote Social Development [CAB Min (13) 12/6(24) initiative 7862];



Initiative No: 7883

Vote: Revenue

Title: Continue 99-105% Tolerance Bands

**Description:** Changing the delivery tolerance bands to absorb a proportion of the additional demand required to achieve the Better Public Services target of increasing the proportion of 25-34 year olds with a qualification at level 4 or higher to 55 per cent by 2017.

### Appropriation changes

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	1.261	1.590	1.426	1.251
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>1.261</b>	<b>1.590</b>	<b>1.426</b>	<b>1.251</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Non-Departmental Other Expense:</b>					
Initial Fair Value Write-Down Relating to Student Loans	-	1.310	1.839	1.879	1.893
<b>Total Operating</b>	-	<b>1.310</b>	<b>1.839</b>	<b>1.879</b>	<b>1.893</b>
<b>Total Capital</b>	-	-	-	-	-

### Additional recommendations

12 **noted** that as a result of this initiative there is forecast to be an increase in interest collected from Student Loans and a corresponding impact in the operating balance, as set out in the following table:

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Non-Tax Revenue:</b>					
Interest on Impaired Student Loans	-	0.049	0.249	0.453	0.642
<b>Operating Balance Impact</b>	-	<b>(0.049)</b>	<b>(0.249)</b>	<b>(0.453)</b>	<b>(0.642)</b>

13 **noted** that there is an associated Tertiary Education Budget package initiative in Vote Social Development [CAB Min (13) 12/6(25) initiative 7861];

Initiative No: 7881

**Vote:** Revenue**Title:** Extending the Student Support Stand-Down Period for Permanent Residents**Description:** Extending the two year student loan and allowance stand-down period for permanent residents (including Australians) to three years for study starting on or after 1 January 2014. Transitional provisions will apply for some permanent residents.**Appropriation changes**

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	-	(0.475)	(2.298)	(3.823)
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	-	<b>(0.475)</b>	<b>(2.298)</b>	<b>(3.823)</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Non-Departmental Other Expense:</b>					
Initial Fair Value Write-Down Relating to Student Loans	-	-	(0.494)	(2.492)	(4.409)
<b>Total Operating</b>	-	-	<b>(0.494)</b>	<b>(2.492)</b>	<b>(4.409)</b>
<b>Total Capital</b>	-	-	-	-	-

**Additional recommendations**

14 **noted** that as a result of this initiative there is forecast to be an decrease in interest collected from Student Loans and a corresponding impact in the operating balance, as set out in the following table:

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Non-Tax Revenue:</b>					
Interest on Impaired Student Loans	-	-	(0.019)	(0.194)	(0.586)
<b>Operating Balance Impact</b>	-	-	<b>0.019</b>	<b>0.194</b>	<b>0.586</b>

15 **noted** that there is an associated Tertiary Education Budget package initiative in Vote Social Development [CAB Min (13) 12/6(24) initiative 7800];

Initiative No: 7882

**Vote:** Revenue

**Title:** Removing Student Allowances Eligibility for Those Aged 65 and Over

**Description:** Removing eligibility for Student Allowances for those aged 65 and over for study starting on or after 1 January 2014. Transition provisions will be in place for some Student Allowance recipients.

### Appropriation changes

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Operating Balance Impact	-	(0.130)	(0.444)	(0.546)	(0.627)
Debt Impact	-	-	-	-	-
No Impact	-	-	-	-	-
<b>Total</b>	-	<b>(0.130)</b>	<b>(0.444)</b>	<b>(0.546)</b>	<b>(0.627)</b>

	\$m - increase/(decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
<b>Non-Departmental Other Expense:</b>					
Initial Fair Value Write-Down Relating to Student Loans	-	(0.130)	(0.444)	(0.546)	(0.627)
<b>Total Operating</b>	-	<b>(0.130)</b>	<b>(0.444)</b>	<b>(0.546)</b>	<b>(0.627)</b>
<b>Total Capital</b>	-	-	-	-	-

### Additional recommendation

8 **noted** that there is an associated Tertiary Education Budget package initiative in Vote Social Development [CAB Min (13) 12/6(25) initiative 7793];

Initiative No: 7893

Vote: Revenue

Title: 20 Additional Medical Places

Description: Increase of the first year medical enrolment cap by 20 equivalent full time students with effect from 1 January 2014.

**Appropriation changes**

	\$m - increase/(decrease)						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
Operating Balance Impact	-	0.078	0.175	0.276	0.431	0.504	0.481
Debt Impact	-	-	-	-	-	-	-
No Impact	-	-	-	-	-	-	-
<b>Total</b>	-	<b>0.078</b>	<b>0.175</b>	<b>0.276</b>	<b>0.431</b>	<b>0.504</b>	<b>0.481</b>

	\$m - increase/(decrease)						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
<b>Non-Departmental Other Expense:</b>							
Initial Fair Value Write-Down Relating to Student Loans	-	0.081	0.192	0.318	0.513	0.639	0.676
<b>Total Operating</b>	-	<b>0.081</b>	<b>0.192</b>	<b>0.318</b>	<b>0.513</b>	<b>0.639</b>	<b>0.676</b>
<b>Total Capital</b>	-	-	-	-	-	-	-

**Additional recommendations**

16 **noted** that as a result of this initiative there is forecast to be an increase in interest collected from Student Loans and a corresponding impact in the operating balance, as set out in the following table:

	\$m - increase/(decrease)						
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19 & Outyears
<b>Non-Tax Revenue:</b>							
Interest on Impaired Student Loans	-	0.003	0.017	0.042	0.082	0.135	0.195
<b>Operating Balance Impact</b>	-	<b>(0.003)</b>	<b>(0.017)</b>	<b>(0.042)</b>	<b>(0.082)</b>	<b>(0.135)</b>	<b>(0.195)</b>

17 **noted** that there is an associated Vote Health Budget package initiative in Vote Social Development [CAB Min (13) 12/6(24) initiative 7894];