



## Victoria University of Wellington Students' Association

Te Ropu Tauira a te Kura Wananga o te Upoko o te Ika a Maui Inc.

### Student Loans Repayment

#### Written Submission on the Government Discussion Document

June 2009

Closing Date: 17 July 2009  
Administration: Inland Revenue Department  
Submitted To: [policy.webmaster@ird.govt.nz](mailto:policy.webmaster@ird.govt.nz)

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### 1. Introduction

- 1.1 Victoria University of Wellington Students' Association (VUWSA) is a student controlled association representing over 20 thousand students at Victoria University. VUWSA promotes the interests and participation of its members and represents their views.
- 1.2 VUWSA would like to thank Inland Revenue for the opportunity to present a submission and commends the department for consulting with the community.
- 1.2 This submission is based on the following public document:

Policy Advice Division of Inland Revenue. June 2009. *Making it easier for borrowers to repay their student loans: A government discussion document.* Wellington, New Zealand. ISBN 978-0-478-27171-3

### 2. Overview

**VUWSA strongly opposes the proposed changes to the student loan repayment scheme, particularly the proposal that a borrower's repayment obligation be set on a pay-period dependent threshold.**

### 3. Reasons for Opposition

#### 3.1 Proposed Changes to Repayment Threshold

VUWSA strongly opposes these proposed changes as they are inequitable for students who work sporadic hours, particularly those students who work intensively during the summer period, during non-teaching periods throughout the academic year, and during times when individual students have lighter workload periods, in order to put money aside to live off during the rest of the year. VUWSA recognise that the current system of internal assessment means that students have fluctuating workloads whereby some weeks students have extra time within which to undertake paid employment, while at other times during teaching periods students have highly demanding hand-in periods when paid employment is difficult to juggle with study commitments. VUWSA also recognise that the current recession environment means that it is increasingly hard for students to find part-time and temporary employment, and that many students are forced to take on paid work whenever they can secure it. Should the proposed changes to the repayment threshold be introduced, this would unnecessarily and unfairly penalise students who undertake paid work while studying in order to make ends meet. The proposal, if implemented, may also deter some students from undertaking paid work. The example ('Working while studying') provided in Article 3.4 of the discussion document is an excellent demonstration of this.

#### 3.2 Detection of PAYE Errors

The document proposes in the summary contained in Article 1.8 that "major PAYE errors would be identified and corrected earlier than they are now." However, details of how this will actually happen are not provided. In the example ('Repayment error') included as part of Article 3.5 it is stated that "Under the proposed changes, the error may be spotted by Inland Revenue through its ongoing monitoring, or Arjun might notice it when checking his account online". What does this 'ongoing monitoring' entail, and is it acceptable to depend on a taxpayer 'noticing' an error when checking tax details online? Would this be likely to happen? VUWSA believes this to be unlikely.

#### 3.3 Overpayments Offset Against Loan

3.3.1 Is this a compulsory transfer? It is unclear.

3.3.2 Article 3.6 states that a 'major overpayment' will be refunded to the borrower. What is defined as 'major'? It is our position that there is an obligation to declare and define what exactly is meant by the term 'major'.

3.3.3 The document criticises the current system for allowing borrowers to have overpayments refunded to them (rather than transferring against their loan). However, we believe students should be entitled to this money, they have *overpaid*. Many borrowers may need this money back. There appears here to be a lack of understanding about the financial position of most students in New Zealand, for whom such money is the difference between affording food and going hungry.

### 3.4 Removal of the End-of-Year Square-Up

- 3.4.1 Article 2.3 cites the reasons for change are that the current end-of-year square-up process uses a great deal of Inland Revenue's time and resources and is cumbersome to borrowers. The PTS process (outlined in article 3.2) may be considered a paper and administration drain to Inland Revenue, but as it is calculated automatically and issued to borrowers, the inconvenience to borrowers themselves is minimal.
- 3.4.2 Article 3.4 describes the current system as operating under an "annual" repayment obligation. The square-up itself is annual, however repayments are ultimately taken from employee's wages throughout the year. Working out a repayment obligation per pay period for an employee as proposed in the new changes, creates a significant increase in work for employers, which is not addressed in this document. The proposed changes to the repayment system require a greater vigilance on an employer's behalf, and will likely result in a greater number of errors with the inevitable increase in administration and thus a greater number of borrowers with bills.
- 3.4.3 One of the main drives behind this document (or something being pushed as a benefit of the changes) is a move to online access, which VUWSA has no objection to, and in fact endorses. However, it is VUWSA's position that it would be feasible to leave the repayment and end of year square-up process as is, and convert the issuing of the square-up (PTS) to an online process, leaving only those borrowers who are required to file an IR3 to file a paper return. Thus, still achieving Inland Revenue's outlined goals of easier access and freeing up department resources.

## 4. Closing Remarks

- 4.1 VUWSA opposes the proposed changes to the student loan repayment scheme primarily on the basis that a move to repayment obligations set on a pay-period threshold are not in the interests of the borrowers' welfare.
- 4.2 The document provides only vague reasoning for how changes to the current system will result in a decrease in PAYE errors, and is equally unclear on details surrounding the transfer of overpayments to a borrower's loan. Until these issues are addressed, VUWSA cannot support these changes.
- 4.3 VUWSA does **not** support the removal of the end-of-year square-up in favour of a pay-period dependent repayment obligation, but instead suggests shifting this system to an online process.

**Victoria University of Wellington Students' Association (VUWSA)**

**July 2009**