

12 November 2013

Mr Craig Ryan
fyi-request-1211-a5b330fb@requests.fyi.org.nz

Dear Mr Ryan

Your Official Information Act (OIA) request of 11 October 2013 to the Minister of Revenue was transferred to Inland Revenue under section 14 of the OIA. It was received in this office on 14 October 2013.

You requested the following, in relation to the student loan scheme:

I would like to know the total amount of penalty interest that has being created and gathered by Inland Revenue for overseas based borrowers since the loan scheme was enacted up until the present.

Also is there any evidence that the penalties overburden and prolong repayment of overseas based borrowers?

How much is the largest outstanding overdue debt including and the breakdown of those penalties for an individual overseas based borrower?

On 25 October 2013, an Inland Revenue staff member telephoned you to clarify that the "penalty interest" you refer to is that which is charged on overdue student loan repayments for overseas-based borrowers.

I have answered each of your questions in turn below.

The total amount of penalty interest that has being created and gathered by Inland Revenue for overseas based borrowers since the loan scheme was enacted up until the present.

Since the beginning of the student loan scheme in 1992, \$170 million of late payment penalties and late payment interest has been charged against borrowers assessed as non-resident/overseas-based. This figure does not include amounts that were later reversed or written off.

I am refusing the part of your request relating to penalty interest gathered under section 18(f) of the OIA, as the information requested cannot be made available without substantial collation or research. This is because amounts are paid towards a loan balance as a whole, rather than applied to the separate components of the balance.

Is there any evidence that the penalties overburden and prolong repayment of overseas based borrowers?

Inland Revenue is aware that, on average, it takes overseas-based borrowers longer to pay off their student loans. As reported in the *Student Loan Scheme Annual Report 2012*, the forecast median repayment time for borrowers who left study in 2008 and remained in New Zealand is 5.5 years. The forecast median repayment time for borrowers who left study in 2008 and who spend some time overseas is 11.8 years.

However, there are a number of factors that contribute to this prolonged repayment time, such as the ability to take a repayment holiday, and we do not have evidence as to the relative importance of these factors.

How much is the largest outstanding overdue debt including and the breakdown of those penalties for an individual overseas based borrower?

I am unable to provide the specific details of the largest outstanding overdue debt for an individual overseas based borrower.

This information has been withheld under section 18(c)(i) of the OIA, as making the requested information available would be contrary to the provisions of a specified enactment, namely Inland Revenue's secrecy obligation in section 81 of the Tax Administration Act 1994. Disclosure of the information does not fall within any of the specific exceptions to the secrecy obligation or within the general carrying into effect exception in section 81(1).

Section 9(2)(a) of the OIA also applies to this part of your request, as it is necessary to withhold the information to protect the privacy of the person to whom it relates.

You have the right to ask the Ombudsman to investigate and review my decision. The office of the Ombudsman can be contacted at PO Box 10152, The Terrace, Wellington 6143.

Alternatively, you may have the decision reviewed by a review officer who reports directly to the Commissioner of Inland Revenue. Choosing the internal right of review does not preclude you from subsequently seeking a review by the Ombudsman should you be dissatisfied with the department's internal review. If an internal review is sought, please write to the Commissioner of Inland Revenue, PO Box 2198, Wellington 6140, setting out the details of your complaint.

I trust that this information is of assistance to you.

Yours sincerely



Maurice Lawlor
Business Owner