



Student Loan Scheme (Interest Rates Formulas) Regulations 2006

Silvia Cartwright, Governor-General

Order in Council

At Wellington this 27th day of February 2006

Present:

Her Excellency the Governor-General in Council

Pursuant to section 87 of the Student Loan Scheme Act 1992, Her Excellency the Governor-General, acting on the advice and with the consent of the Executive Council, makes the following regulations.

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Regulations

- 1 Title**
 These regulations are the Student Loan Scheme (Interest Rates Formulas) Regulations 2006.

2 Commencement

These regulations come into force on 1 March 2006.

3 Application

These regulations apply to a tax year commencing on or after 1 April 2006.

4 Formula for setting total interest rate

For the purposes of the Student Loan Scheme Act 1992, the total interest rate for a relevant tax year is calculated in accordance with the formula—

$$a\% + 0.74\% = y\%$$

where—

$a\%$ is the average, rounded to the nearest 2 decimal places, of the monthly average 10-year government bond yield rates published by the Reserve Bank of New Zealand for the 5 years ending in December in the year that precedes the relevant tax year

$y\%$ rounded to the nearest 1 decimal place, is the total interest rate for the relevant tax year.

5 Formula for setting interest adjustment rate

(1) For the purposes of the Student Loan Scheme Act 1992, the interest adjustment rate for a relevant tax year is the greater of the following amounts:

- (a) 0;
- (b) an amount calculated in accordance with the formula—

$$\left(\frac{x}{w} - 1 \right) \times 100 = z\%$$

where—

x is the index number of the CPI for the quarter ending on 31 December in the year that precedes the relevant tax year

w is the index number of the CPI for the quarter ending on 31 December 12 months before the relevant quarter specified in item x of this formula

$z\%$ rounded to the nearest 1 decimal place and expressed as a percentage figure, is the interest adjustment rate for the relevant tax year.

- (2) In this regulation, **CPI** means the Consumers Price Index All Groups excluding credit services published by Statistics New Zealand.

6 Formula for setting base interest rate

For the purposes of the Student Loan Scheme Act 1992, the base interest rate for a relevant tax year is calculated in accordance with the formula—

$$y\% - z\% = b\%$$

where—

$y\%$ is the total interest rate for that tax year calculated in accordance with regulation 4

$z\%$ is the interest adjustment rate for that tax year calculated in accordance with regulation 5

$b\%$ is the base interest rate for that tax year.

Diane Morcom,
Clerk of the Executive Council.

Explanatory note

This note is not part of the regulations, but is intended to indicate their general effect.

These regulations, which come into force on 1 March 2006, specify the formulas by which the total interest rate, the interest adjustment rate, and the base interest rate are to be set for the purposes of the Student Loan Scheme Act 1992 for any relevant tax year commencing on or after 1 April 2006.

Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*: 2 March 2006.

These regulations are administered in the Inland Revenue Department.
