Building the Future:

Back Pocket Boost for Graduates

Introduction

Encouraging young people to stay in New Zealand to build a career, start a business, raise a family and make a contribution to the community and economy is critical to National's plan to fix the basics and build the future.

Central to that vision is a low-tax society, where hard-working Kiwis keep more of their own money so they can get ahead and save more for their own future. That is why a re-elected National Government will introduce no new taxes.

To make New Zealand even more attractive for young Kiwis to stay and build their future, National will let Kiwis with student loans keep more of what they earn, while toughening up on those who leave the country before paying back their loan.

National will:

- **Reduce the compulsory student loan repayment rate** for domestic borrowers from 12 per cent to 10 per cent from 1 April 2027.
- **Get tougher on overseas borrowers,** with new financial penalties and stronger enforcement actions.

This complements the work National has done to boost the take-home pay of hardworking New Zealanders. During this term of Government, we have prioritised lower taxes for households and businesses as part of our long-term economic plan through:

- Personal income tax relief worth an average of $60 per fortnight
- Tax relief for businesses prepared to invest and grow through Investment Boost
- Abolishing the Auckland Regional Fuel Tax and the Ute Tax
- Cancelling Labour's tenant taxes, which pushed rents higher and worsened the cost of living.

A re-elected National Government will continue that work, by spending carefully, reducing wasteful spending, supporting people to save more, and finding opportunities for working Kiwis to have more in their take-home pay, so life in New Zealand is more attractive.

The economic fundamentals are increasingly shifting in favour of building a future here at home, showing that National's long-term economic plan is working.

- The New Zealand economy is projected to grow faster than Australia and the UK for each of the next three years.
- 220,000 new jobs are forecast to be created in the next four years.
- Wages are expected to grow faster than inflation over the next four years.
- Stable house prices and lower interest rates have made home ownership more affordable.
- Significant decline in wholesale energy prices in the last two years, supporting a more competitive manufacturing sector.
- Fast Track is enabling investment in energy, mining, manufacturing, housing, and commercial construction, with 32 projects approved so far.

Those factors are helping to reverse the brain drain, with a 14 per cent increase in Kiwis moving back to New Zealand from Australia in the last year. But there's more to do.

Right now, the student loan regime is too soft on people who leave New Zealand, and too hard on people who stay, work and raise families here.

That can make leaving New Zealand and deferring (or evading) student loan repayments look more attractive for many young people.

The wider economic impact can be significant. Losing sharp young Kiwi graduates to Sydney and London makes it harder for Kiwi companies in Christchurch and Auckland to take on the world and win.

National is committed to making New Zealand even more compelling for young Kiwis to build their future. Improving the student loan system for those who choose to stay in New Zealand is a key part of that vision.

Back pocket boost for graduates

Right now, student loan repayments are structured as a tax, paid at 12 cents on every dollar earned above $24,128 until the loan is fully repaid.

For a young graduate, like a nurse or an engineer, compulsory student loan repayments can be one of their biggest weekly costs. A young professional earning $80,000 per year pays around $260 a fortnight on their student loan, deducted automatically from their pay.

These repayments materially increase a graduate's effective marginal tax rate. A borrower earning $80,000 faces a 33 per cent income tax rate plus 12 per cent in loan repayments, or 45 cents lost from every extra dollar earned. In practice, this often means a nurse working an extra shift, or an engineer taking a risk on a new role at a start-up, will only keep around half of any additional pay.

At the heart of National's campaign at this year's election is a belief that Kiwis who work hard deserve to keep more of what they earn.

That is why a re-elected National Government will reduce the compulsory student loan repayment rate from 12 cents to 10 cents in the dollar, allowing interest-free loans to be repaid over a longer period of time.

This means that:

- An early career accountant earning $75,000 per year will keep an additional $39 each fortnight, or around $1,000 a year.
- An early career engineer earning $80,000 per year will keep an additional $43 each fortnight, or around $1,100 a year.
- A junior doctor earning $100,000 per year will keep an additional $58 each fortnight, or around $1,500 a year.

Of course, it's important that student loans are repaid. Many graduates go on to successful careers, with good salaries, so it would not be fair to make other taxpayers heavily subsidise their education, which was the case with Labour's Fees Free scheme.

Borrowers will also remain free to make additional, voluntary repayments on top of their compulsory repayments, as is the case today.

However, National's changes will mean that people with student loans who choose to stay in New Zealand will have more money in their take-home pay, often at a time when they are just starting their careers and are earning at the lower end of the scale for their profession.

Worked example: what the change means for a new graduate

	Age 25	Age 29	Age 33	First nine years
Salary	$70,000	$78,800	$88,700	–
Annual repayment at 12% (today)	$5,505	$6,559	$7,746	$59,278
Annual repayment at 10% (National)	$4,587	$5,466	$6,455	$49,399
Extra each year	**$917**	**$1,093**	**$1,291**	**$9,880**
Extra each fortnight	**$35**	**$42**	**$50**	**–**

Assumes repayment threshold held at $24,128.

Take the example of a 24-year-old engineer with a $65,000 student loan, starting work on $70,000 a year, with their pay rising 3 per cent each year as their career progresses.

Under the current 12 per cent rate, this engineer clears their loan at age 34. Under National's 10 per cent rate, the loan is cleared around two years later, at 36. Since their loan is interest-free, their slower repayments come at no additional cost. Instead, they have around an additional $10,000 available over their first nine years, as they save for a deposit on a house or start a family.

Fiscal impact

The fiscal impact of this change is summarised below. Because a lower repayment rate delays repayments rather than cancelling them, the cost to the operating balance (OBEGALx) is limited to the fall in the present value of the student loan book: the Crown gets the same money back, but later, and because domestic loans are interest-free, any money received later is worth slightly less.

Most of that cost lands up front, as a one-off $283 million write-down of the existing loan book in 2026/27. A smaller ongoing cost follows, as each year's new lending is written down slightly more than under current settings.

There is also a near-term cash impact that slightly increases net core Crown debt but does not affect OBEGALx. This largely unwinds over time as delayed repayments arrive.

OBEGALx impact, $m	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears
One-off revaluation of existing loan book	(283.3)	–	–	–	–
Write down expense for new borrowing	(12.7)	(49.4)	(40.9)	(31.5)	(20.8)
Total OBEGALx impact	**(296.0)**	**(49.4)**	**(40.9)**	**(31.5)**	**(20.8)**

The student loan landscape

New Zealand's student loan scheme is one of the Crown's largest financial assets. The financial divide between borrowers who stay in New Zealand and those who move overseas is significant.

- As at 31 March 2026, 631,310 New Zealanders had a student loan, owing $16.8 billion in total. The median balance is around $18,300.
- 516,586 borrowers (82 per cent) live in New Zealand and 114,724 (18 per cent) live overseas. Overseas borrowers hold $4.5 billion, or 26 per cent of the total loan book.
- Total overdue repayments stand at $2.7 billion, of which overseas-based borrowers owe $2.5 billion (93 per cent).
- 84,272 overseas borrowers have overdue repayments, averaging around $29,000 each. IRD reports around 24,000 borrowers have debts more than 15 years old with no repayment plan in place.

At 31 March 2026	NZ-based	Overseas-based	Total
Borrowers	516,586	114,724	631,310
Loan balances	$12.4b	$4.5b	$16.8b
Borrowers with overdue repayments	**27,538**	**84,272**	**111,810**
Overdue repayments	**$0.2b**	**$2.5b**	**$2.7b**

Getting tougher on borrowers in default

While National believes working New Zealanders deserve to keep more of what they earn, it isn't fair for skilled graduates to move offshore and take their skills with them, having received a heavily subsidised education, with no penalty or bonding obligation.

Right now, the cost to a recipient of a tertiary degree is only around 30 per cent of the full cost of that qualification. A taxpayer-funded investment in those skills can be justified when New Zealand sees a real return from that training through a higher-skilled workforce and stronger economic growth.

That's why, alongside more support for Kiwis who stay in New Zealand, a re-elected National Government will get tougher on overseas student loan borrowers, with new financial penalties and stronger enforcement actions.

The focus of this policy is to recover more of the cost of tertiary education from individuals who have received significant state support while studying, and then chosen to move overseas and make an economic contribution in another country.

Tougher enforcement of overseas borrowers

As at 31 March 2026, 114,724 borrowers (18 per cent of all borrowers) were overseas-based, and 84,272 of them (around three in four) had overdue repayments. Overseas-based borrowers account for 93 per cent of all overdue student loan debt, and fewer than three in 10 meet their repayment obligations in a given year, compared to around 95 per cent of New Zealand-based borrowers.

The tools IRD already has

New enforcement measures will build on the powers and funding already in place, which include:

- **Interest and penalties:** overseas-based borrowers are charged interest on their balances (5.6 per cent in 2026/27), and late payment interest of 9.6 per cent applies to overdue amounts.
- **Arrest at the border:** since 2014, it has been an offence for an overseas-based borrower to knowingly default after formal notification from IRD, and the District Court can issue a warrant to arrest a defaulter who is about to leave New Zealand. In practice, the threshold is high and the power is used only a handful of times each year.
- **Border monitoring:** IRD is alerted when defaulters cross the border through an information match with Customs, and receives updated contact details when borrowers renew their passports.
- **Offshore recovery:** IRD exchanges borrower information with the Australian Tax Office, has registered civil proceedings against defaulters in Australian and UK courts, and engages debt collection agencies in both countries.
- **Deduction notices:** IRD can require New Zealand employers and banks to deduct overdue amounts from wages or accounts held here.
- **Compliance funding:** Budget 2024 and Budget 2025 invested $29 million and a further $35 million per year in compliance and collection.
- **Active monitoring:** IRD actively monitors around 150 of the worst defaulters (owing a combined $15 million, or roughly $100,000 each) for arrest if they cross the border. Earlier this year, a medical specialist who had built a 30-year career in Australia was arrested at the airport over $180,000 in student loan arrears, spending three nights in custody before arrangements were made.

The recent focus on enforcement is working. IRD collected $243 million from overseas borrowers in 2024/25, beating its $189 million target by 28 per cent. Collections in the nine months to March 2026 reached a further $233 million, up 29 per cent on the same period a year earlier.

What National will add

The evidence shows action against overdue borrowing works, but the problem is still significant, which is why a re-elected National government will go further, with:

- **New financial penalties:** an additional 1 per cent annual interest on overseas-based borrower balances, with tiered penalties for sustained default, on top of existing late payment interest.
- **Restricted KiwiSaver withdrawals** for overseas borrowers, with any withdrawals or transfers under the “permanent migration” test used to clear outstanding student loan balances before they are released.
- **Tighter arrest settings:** lowering the threshold for an arrest warrant, so warrants can be sought for serious sustained default without needing to prove a borrower knowingly refused to pay, and using Customs border alerts to position warrants for execution before departure.
- **A statutory charge over New Zealand assets:** allowing IRD to register a charge or caveat over New Zealand property owned by overseas defaulters, without first obtaining a court judgment.
- **Broader information sharing:** prioritising a new data-exchange arrangement with the United Kingdom, building on the existing arrangement with Australia.
- **More enforcement funding:** $10 million per year of additional funding for IRD’s overseas collection programme, with net recoveries of $15 million per year expected after the cost of additional IRD enforcement activity.

A conservative investment case

The $15 million per year of net recoveries assumes gross returns of around $2.50 for every dollar invested. That is conservative relative to IRD’s recent record. IRD’s overall compliance programme returned $11.81 for every dollar invested in 2024/25, up from $9.50 the year before. Overseas student loan collections exceeded IRD’s target by 28 per cent in the same year.

The lower assumed return reflects that this funding is targeted specifically at overseas student loan debt, where much of the outstanding amount is old and hard to recover. It is also collected from individuals offshore rather than businesses onshore. However, based on recent performance, actual returns could exceed budgeted savings.

Fiscal summary

Operating impact, $m	2026/27	2027/28	2028/29	2029/30	2030/31	5-year total
Student loan repayment reduction	(296.0)	(49.4)	(40.9)	(31.5)	(20.8)	(438.6)
Overseas loan penalty	–	1.5	1.5	1.5	1.5	6.0
Loan enforcement action (net)	–	15.0	15.0	15.0	15.0	60.0
Net package	**(296.0)**	**(32.9)**	**(24.4)**	**(15.0)**	**(4.3)**	**(372.6)**