Regulatory Impact Statement: Interest on Instalment plans - ensuring that ACC can charge appropriately and addressing past practice

Coversheet

Purpose of Document	
Decision sought:	This document provides an analysis of the options to be put to Cabinet to: a. clearly allow the Accident Compensation Corporation (ACC) to charge debit interest when an employer or self-employed levy payer pays levies using an instalment plan, and, b. validate ACC's past and continuing practice of charging debit interest in some cases where levies are paid by instalments. The analysis will inform final Cabinet decisions.
Advising agencies:	The Ministry of Business, Innovation and Employment (MBIE), with input from ACC.
Proposing Ministers:	Minister for ACC
Date finalised:	12 April 2023

Problem Definition
ACC currently offers levy instalment payment plans to businesses (including the self-employed) providing them with the option to spread the cost of the levy over three, six or ten months. For businesses that opt for the ten-month plan, ACC currently charges a fee inclusive of a debit interest charge. It has previously charged interest on plans of various lengths. The use of payment plans may create equity issues between those who do and do not pay via payment plan. If the fee is too high, levy payers who pay by instalments may be disadvantaged, and if it is too low, the negative impact on ACC's revenue of delayed collection will disadvantage other levy payers in the account. Setting the fee too low may also result in some levy payers taking advantage of the payment plan as a cheaper source of financing when they do not necessarily need the financial assistance. For these reasons, there is strong policy rationale for ACC to collect an appropriate charge, particularly on longer instalment plans, to ensure equity between levy payers by reflecting the costs ACC faces compared to receiving a payment on the due date. This ensures levy payers pay their share regardless of the payment method chosen and that a levy payers' choice does not advantage or disadvantage other levy payers. Alternative sources of finance for small businesses with unsecured, involuntary debt (for example, credit cards and bank overdrafts) typically have considerably higher interest rates than what would be charged for the instalment plan with a debit interest component. Therefore, it is likely that many businesses currently paying with ten-month instalment plans are better off financially than if they were not offered this option and had to find an alternative source of funds should this option no longer be available.

There are two parts to the problem relating to collecting fees relating to instalment plans which we are seeking to address:

1. ensuring ACC's levy collection power is fit for purpose, and
2. addressing the risk that ACC has been acting outside its legislative scope (in good faith) since at least 2004.

The power to allow ACC to accept the payment of a levy is provided for in the Accident Compensation Act 2001 (the Act). ACC "may charge a reasonable fee to recover its costs of collecting any levy by instalments" (s 234). The empowering provision provides that regulations may prescribe "the matters in respect of which fees or charges payable under this Act, including any administration fee payable in respect of levies paid in instalments" (s 333(1)(b)(i)).

When sections 234 and 333(1)(b)(i) are read together, MBIE does not consider the "reasonable fee to recover its costs of collecting" and an "administration fee" provide the basis for ACC to be including debt interest in the fee charged to those using an instalment plan. ACC does not necessarily agree with this view. At a minimum, the difference in views is evidence of uncertainty around the lawfulness of ACC's current approach. This uncertainty suggests that the current legislative settings are not fit for purpose.

Executive Summary

The cost to ACC of injuries in Aotearoa New Zealand is funded from five accounts. Three of these accounts - the Work, Earners', and Motor Vehicle Accounts – are funded solely by levies charged to employers, earners, and motorists respectively.

Levies are generally paid in one single payment on the annual due date, however the Act allows ACC to offer businesses the option to pay their Work and Earners' levies by instalments. ACC currently offers instalment plans over a period of three, six, or ten months. By opting to pay levies by instalments, levy payers avoid penalties and interest on overdue levies.

When paying by instalments, the Act allows ACC to charge "a reasonable fee to recover its costs of collecting any levy instalments" (s 234). Once a levy payer agrees to use an instalment plan, then the fee becomes part of the associated levy for collection purposes. Alternatively, if the levy isn't paid by the due date, and an instalment plan isn't agreed, then penalty interest begins to accrue.

The fee for the ten-month instalment plan is currently inclusive of debit interest. ACC has interpreted the Act as allowing it to charge debit interest where reasonable. Due to changes to IT systems and staff turnover, ACC is not sure when the practice of charging interest started, but it is confident that it has charged interest on instalment plans of various length since at least 2004.

It is important that the fees ACC can charge are appropriate to maintain equity between levy payers while ensuring that instalment plans can continue to be offered to support levy payers who cannot manage a one-off payment. For this reason, MBIE considers there is a strong policy rationale to charge debit interest on instalment plans.

MBIE's view is that the relevant sections of the Act do not provide for ACC to charge debit interest as part of an instalment plan fee. ACC does not necessarily agree with this view. At a minimum, the difference in views is evidence of uncertainty around the lawfulness of ACC's current approach and a legislative change is necessary to provide certainty.

To ensure that ACC can charge appropriate instalment plan fees, we have considered two options (including the status quo):

Option one: Status Quo – No amendment to the Act. Either ACC continues to offer a ten-month instalment plan inclusive of a debit interest charge, based on its own interpretation of the Act, and accepts a risk of legal challenge to this approach or it stops offering the ten-month plan.

Option two: Amend the Act to clearly allow ACC to charge a debit interest charge and validate ACC's past and continuing practice of charging interest where levies are paid by instalments.

MBIE recommends **option two** as this approach would:

- provide clarity regarding the interest that ACC can charge when payment is made by instalments;
- allow ACC to recover the costs of collecting a levy by instalments and fairly compensate ACC (and by extension other levy payers) for not having the use of this money from the time the levies are due;
- allow for interest rate charges for instalment plans to be set in regulations, ensuring that levy payers pay a transparent and fair amount; and
- align the Act with similar practices across the government, including the income tax system's practice of charging taxpayers use of money debit interest on unpaid taxes (even when taxpayers are using an instalment plan).

MBIE's recommended approach could attract public scrutiny around ACC's past and current charging of instalment plan fees inclusive of a debit interest charge. This could lower public confidence in ACC. MBIE considers this approach is justified because it ensures that ACC's past and current practice is validated to remove any legal risks, and that future instalment plan charges are able to be appropriately set in regulations.

We shared the proposal with the Legislation Design Advisory Committee (LDAC) who were unable to provide formal advice due to limited design issues in the Bill, other LDAC priorities and the short timeframes to support this Bill being passed under urgency. MBIE has analysed the compliance of the proposals with the LDAC Guidelines. The Guidelines allow for retrospective legislation in some situations, including to validate matters generally understood and intended to be lawful, but that are, in fact, unlawful because of a technical error. MBIE considers the current situation as analogous to this, but with uncertainty around the lawfulness rather than a clear finding that the current approach is unlawful. MBIE also considers there is strong policy rationale for ACC including a debit interest rate charge for instalment plans to support fair compensation to ACC and, by extension, other levy payers.

MBIE has also considered LDAC Guideline 2.3, which is *"Legislation should only be made when it is necessary and is the most appropriate means of achieving the policy objective*". MBIE considers amending the Act is the most appropriate means of allowing ACC to recover the costs of collecting a levy by instalments. The ability to charge a fee for instalment plans is already in the Act and providing a similar ability to charge debit interest is most appropriately provided through the same medium (legislation). Option 2 is also necessary to address the, albeit low, legal risk that ACC has been acting outside of its legislative scope (in good faith).

Limitations and Constraints on Analysis

Administrative limitations, particularly a series of IT changes since 2004, mean that ACC does not have clear and accessible information regarding the debit interest component of the instalment plan fees it charges.

There was no public consultation on this approach. Public consultation would have highlighted the possible issue with the current approach and may have led to legal challenge. It is challenging to predict how likely such a challenge would be, and whether or not it would be successful. We note there are no current or previous challenges regarding the current instalment plan charges.

MBIE has engaged with LDAC, who were unable to provide formal advice due to the limited time constraints and LDAC's other commitments, but MBIE has analysed the proposals against relevant LDAC Guidelines.

ACC will need to go through public consultation on future instalment plan charges as part of its 2024 levy setting process. This will ensure that full consultation is undertaken before any change or impact is felt by levy payers and that in future the legal basis for such charges is clear.

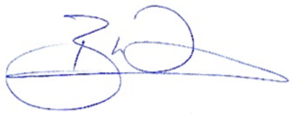
Responsible Manager(s)

Bridget Duley

Manager,

Accident Compensation Policy

Ministry of Business, Innovation and Employment



12 April 2023

Quality Assurance (completed by QA panel)

Reviewing Agency:	Ministry of Business, Innovation and Employment
Panel Assessment & Comment:	MBIE's Regulatory Impact Analysis Review Panel has reviewed the attached Regulatory Impact Statement prepared by MBIE. The panel considers that the information and analysis summarised in the Impact Statement **partially meets** the criteria necessary for Ministers to make informed decisions on the proposals in this paper. There is relatively little data available on the operation of instalment plans and there has been no consultation with stakeholders on this proposal, which is partially mitigated by the lack of concern by stakeholders with ACC's practice over many years, and the opportunity for stakeholders to comment when levies are next reviewed.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Background

1. The Accident Compensation Scheme provides entitlements that cover the cost of personal injuries in Aotearoa New Zealand. ACC pays for these entitlements from accounts funded by levies, which ACC collects from New Zealanders including businesses (employers, self-employed, contractors, and shareholder-employees). ACC usually invoices some businesses in July and some in September each year, based on information provided by the Inland Revenue Department (IRD) when businesses file income tax returns.

2. Businesses generally pay their ACC levy invoice annually in one single payment, based on the deadlines set out in the Act[1]. However, the Act allows ACC to offer a range of alternative payment options, including the option to use a three, six, or ten-month instalment plan to pay their levy.

3. Any business can opt to use an instalment plan to pay their levy invoice. Without the option to use an instalment plan, some businesses would be unable to pay their levy invoice on the due date. They would either need to obtain alternative finance (e.g., a bank overdraft or credit card) or not pay. If the invoice is unpaid without an instalment plan being agreed, the levy payer begins to incur penalty interest on unpaid levies.

4. By choosing to use an instalment plan to pay their levy over time, businesses avoid having to pay penalty interest on unpaid levies, which is otherwise charged at a rate of 1 per cent per month, and compounds monthly[2].

5. Instalment plans are common in other contexts. For example, IRD allows taxes to be paid by instalments if taxpayers are otherwise unable to pay them by the due date. IRD charges taxpayers who enter an arrangement to pay their taxes by instalments debit interest but does not charge additional penalties.

6. In working with MBIE in 2021 to set the ACC levies for the next three years, ACC proposed a revised way of calculating the instalment plan fees for all plans (e.g., three, six and ten-month plans). This proposal highlighted the difference in views on what the Act enables ACC to charge. Ultimately, the Minister chose not to proceed with the new proposal. MBIE is now considering options to ensure ACC can charge appropriate fees in time for the next levy setting round in 2024.

Status quo

7. ACC currently charges an instalment plan fee, inclusive of a debit interest charge, to businesses that opt to use a ten-month instalment plan. It has previously charged a fee for the three or six-month instalment plans but does not currently do so.

8. In 2020, the fee for the ten-month plan reduced from 5.4 per cent to 2.73 per cent of the levy payable, to reflect the economic environment at the time and to support businesses affected by the COVID-19 pandemic. This 2.73 per cent is essentially just

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[1] Section 250 of the Act sets out when a levy is payable and when a levy payer may be liable to pay interest or penalties on unpaid levies.

[2] The Injury Prevention, Rehabilitation and Compensation (Interest Rate for Late Payment of Levies) Regulations 2002 set the rate of interest charged.

debit interest pro-rated for 10 months. ACC does not currently recover its administrative costs on any of the instalment plans.

9. ACC has a duty to administer the levy system in a fair way. It considers it must collect an appropriate charge on instalment plans to ensure levy payers pay their share regardless of the payment method chosen. Without a charge on the ten-month plan, ACC would be effectively offering interest-free finance to levy payers. The more levy payers that took up this offer, the longer ACC's revenue would be delayed which will disadvantage other levy payers in the account. This is because they would effectively be making a higher contribution to the account (to reflect the time cost of money).

10. ACC is not required to offer instalment plans under the Act. The benefit to ACC in offering these plans is to increase the collection rate for levies, particularly from levy payers who would struggle to pay the total amount on the due date. ACC currently does not charge a fee for the shorter instalment plans for business reasons (e.g., to encourage people to pay as soon as they are able, which ensures ACC receives prompt payment).

11. Alternative sources of finance for small businesses with unsecured, involuntary debt like the ACC levy typically have considerably higher interest rates than what would be charged for the instalment plan with a debit interest component. While some businesses will have cash reserves or access to low cost finance, it is likely that the majority of businesses currently paying with ten-month instalment plans are better off financially paying the 2.73 per cent instalment plan fee than if they were not offered this option. This is because, if they had access to funds or lower cost financing, they would be unlikely to opt into paying the current fee.

What type of charge is appropriate?

12. If ACC were to collect all levies by instalment plans, with no debit interest component this would effectively offer interest free finance to levy payers, ultimately at the expense of other levy payers.

13. The combined annual levies affected are approximately $1.3 billion dollars, so if all levy payers chose the ten-month plan, then the cost of providing this interest free finance (compared to the 2.73 per cent charge) would be approximately $35.5 million dollars. In reality the cost to ACC is likely to be higher as it invests the funds in its accounts and typically receives a higher rate of return than 2.73 per cent.

14. The inclusion of a debit interest component plays an important role in promoting fairness between levy payers and preventing levy payers who pay their levy invoice in a single payment on the due date from being disadvantaged (or financially incentivised[3] to pay by instalments).

15. If levy collection is delayed for a significant number of levy payers without compensation, this may result in a need to increase levies over time to ensure the accounts contain sufficient funding. An increase in levies would disadvantage all levy payers, particularly those who pay their levy invoice in a single payment on the due date.

[3] Charging an instalment plan fee inclusive of a debit interest charge based on commercially available rates removes the incentive for levy payers to use instalment plans as a cheaper source of funding when they may have the means to pay their levy on the due date.

What is the policy problem or opportunity?

The nature of the problem

16. There are two parts to the problem:

- ensuring ACC's levy collection power is fit for purpose, and
- addressing the risk that ACC has been acting outside its legislative scope (in good faith) since at least 2004.

17. ACC currently offers levy instalment plans to businesses (including the self-employed) providing them with the option to spread the cost of the levy over three, six or ten-months. For businesses that opt for the ten-month plan, ACC currently charges a fee inclusive of a debit interest charge. It has previously charged interest on plans of various lengths.

18. The power to allow ACC to accept the payment of a levy is provided for in the Accident Compensation Act 2001 (the Act). ACC "may charge a reasonable fee to recover its costs of collecting any levy by instalments" (s 234). The empowering provision provides that regulations may prescribe "the matters in respect of which fees or charges payable under this Act, including any administration fee payable in respect of levies paid in instalments" (s 333(1)(b)(i)).

19. When sections 234 and 333(1)(b)(i) are read together, MBIE does not consider the "reasonable fee to recover its costs of collecting" and an "administration fee" provide the basis for ACC to be including debt interest in the fee charged to those using an instalment plan. ACC does not necessarily agree with this view. At a minimum, the difference in views is evidence of uncertainty around the lawfulness of ACC's current approach suggests that the current legislative settings are not fit for purpose.

20. This issue came to MBIE's attention in 2021 during the ACC levy setting process. It is important to ensure the powers are appropriate by the time the levy is next set (2024) to allow ACC flexibility in how it approaches its instalment plan fees and to address the ongoing risk of current and past practices.

Legal professional privilege

[redacted]

[redacted]

[redacted]

The scale of the problem

24. ACC has been charging businesses instalment plan fees inclusive of a debit interest charge on some plans since at least 2004. Administrative limitations and staff turnover

mean that ACC does not know which businesses have used instalment plans where a debit interest charge was included in the instalment plan fee.

25. ACC has provided the data in Table 1 below, which shows the approximate number of businesses that used instalment plans in 2021. The total levy revenue for a 10-month instalment plan includes instalment plan fees paid.

Table 1: Approximate ACC's instalment plan use in 2021[4]

	Ten-month	Six or three-month	No payment plan	Total
Number of plans	32,000	68,000	546,000	646,000
Total revenue	$154m	$327m	$833m	$1,314m

26. ACC also provided a breakdown of the type of businesses that use instalment plans over 2019, 2020, and 2021. The breakdown shows employers comprised 66 per cent of the total number of instalment plans and 91 per cent of the total levy revenue under instalment plans, while the self-employed comprised 34 per cent of the total number of instalment plans and 9 per cent of the total levy revenue.

Key stakeholders' views of the problem

27. There is likely to be some negative reaction to the legislation as it will highlight that ACC's past and continuing practices may not be lawful. That said, we would expect businesses to be supportive of the principle that a levy payer's choice to use an instalment plan should not advantage or disadvantage them compared to other levy payers.

28. Businesses have not raised the charging of instalment plan fees inclusive of a debit interest charge as an issue in the past, and they are made fully aware of the cost to pay by instalments including these fees when they opt to use an instalment plan. The cost is attractive compared to alternative forms of finance and instalment plans have been consistently popular for many years.

[4] Note, figures provided reflect a snapshot in time in February 2023 and are intended to be indicative only. Invoices can be released after a hold which will affect the final numbers. There are also some levy payers on individualised payment plans which are not reflected in the table above.

Section 2: Deciding upon an option to address the policy problem

What is the policy objective?

29. The key policy objective is to ensure ACC is able to maximise the collection of levies due to it in a fair and transparent way.

What criteria will be used to compare options to the status quo?

30. The following four criteria will be used to compare options:

    1. **Fairness:** How fair is any additional charge for instalment plans for all levy payers regardless of whether they use an instalment plan, and regardless of the length of their instalment plan?
    2. **Transparency:** How open and transparent is the process for calculating instalment plan fees?
    3. **Legal risk**: How susceptible is the charge to legal challenge?
    4. **Alignment:** How well do instalment plan fees align with fees charged in other systems and best practice in respect of payments made by instalments?

What options are being considered?

31. The options in this regulatory impact statement have been written from the perspective of the Crown. ACC, while a Crown Entity, operates autonomously from the Crown and is accountable to its Board. It is not bound by the Crown's view of the Act. As such, the status quo may change depending on how ACC chooses to operate in future.
32. To ensure that ACC can charge appropriate instalment plan fees, we have considered two options (including the status quo):

    Option One: Status Quo – No amendment to the Act. Either ACC continues to offer a ten-month instalment plan inclusive of a debit interest charge, based on its own interpretation of the Act and accepts a risk of legal challenge to this approach or it stops offering the ten-month plan.

    Option Two: Amend the Act to clearly allow ACC to charge a debit interest charge and validate ACC's past and continuing practice of charging interest where levies are paid by instalments.

Option One: Status Quo – No amendment to the Act.

Description

33. Under the status quo, if ACC choses to continue to charge debit interest, based on its own interpretation of the Act, there is a risk of legal challenge. It may be willing to accept this risk, or alternatively, it may choose to stop offering the ten-month instalment plan.

Analysis

34. ACC has advised that, without the debit interest charge, ACC would re-evaluate the instalment plans it offers to ensure there is not a strong financial benefit for levy payers opting for a longer plan and to ensure fairness for levy payers who pay by the due date.
35. We think it is likely that ACC would not offer a ten-month instalment plan without some form of compensation. If no ten-month instalment plan were offered, this is likely to most disadvantage businesses who would have agreed to pay using the ten-month

instalment plan fee that included a debit interest charge but will no longer have that option. These businesses would need to source alternative financing, most likely at a higher cost[5]. Some of these businesses may end up in default and liable for interest charges and penalties for overdue payments.

Option Two: Amend the Act to clearly allow ACC to charge a debit interest charge and validate ACC's past and continuing practice of charging interest where levies are paid by instalments.

Description

36. This option would involve amending the Act to clearly allow ACC to charge interest on its instalment plans.

Analysis

37. This option would:

    1. provide clarity regarding the type of instalment plan fee that ACC may charge;
    2. compensate ACC (and by extension other levy payers) for not having the use of this money from the time the levies are due;
    3. allow for instalment plan fees to be set in regulations, ensuring that levy payers pay a transparent and fair amount; and
    4. align with similar practices across government including the income tax system's practice of charging taxpayers use of money debit interest on unpaid taxes (even when taxpayers are using an instalment plan.

38. This option would ensure ACC could continue to offer longer instalment plans with lower monthly costs for businesses than accessing alternative financing or paying penalty interest. If the ten-month instalment plans were no longer available, levy payers who are unable to pay their levy on time would be charged penalty interest on their unpaid levies.

39. Table 2 demonstrates the difference between an instalment plan fee and penalty interest for a business. The cost for some alternative finance methods (e.g., credit cards) could be even higher.

Table 2: Comparison of a ten-month ACC instalment plan fee (including debit interest) and penalty interest on unpaid levies for the average business

Average business levy	**10-month instalment plan fee** (currently 2.73%)	**Total penalty interest** (over 10-month period, assuming that levy is not paid)
$7,276	$198.63	$761.23

[5] If they had access to lower cost finance, they would be unlikely to opt into using the plan in the first place.

40. Amending the legislation would draw attention to past and current practices. Therefore, the amendments should also retrospectively validate ACC's past and current practice of charging an instalment plan fee inclusive of a debit interest charge. This will eliminate any residual risk of challenge to ACC's past practices.

41. The LDAC guidelines allow for retrospective legislation in some situations, including to validate matters generally understood and intended to be lawful, but that are, in fact, unlawful because of a technical error. MBIE considers the current situation to be analogous to this, but with uncertainty around the lawfulness rather than a clear finding that the current approach is unlawful. As well as this, MBIE considers there is strong policy rationale for ACC including a debit interest charge in its instalment plan fee. This is because a debit interest charge maintains equity between levy payers while ensuring that instalment plans can continue to be offered to support levy payers who cannot manage a one-off payment.

42. MBIE has also considered the proposal against LDAC Guideline 2.3, which is *"Legislation should only be made when it is necessary and is the most appropriate means of achieving the policy objective".* The power for ACC to charge relevant fees on instalment plans is set out in the Act, so legislative change is necessary to provide ACC with the ability to charge debit interest on instalment plans. This change is also the most appropriate means of enabling instalment plan fees to be set out in regulations, as this power must be first provided in legislation.

How do the options compare to the status quo/counterfactual?

We have considered two options including the status quo to ensure that ACC is able to charge appropriate instalment plan fees. These are assessed against the criteria below:

	Option One: Status Quo No amendment to the Act.	**Option Two:** amend the Act to clearly allow ACC to charge a debit interest charge as part of the instalment plan fee, and validate ACC's past and continuing practice of charging interest where levies are paid by instalments.
Legal Risk	0 The type of instalment plan fee that ACC may charge is not explicitly defined in the Act. If ACC continues to charge debit interest as part of its instalment plan fees, there is a risk of legal challenge.	++ The type of instalment plan fee that ACC may charge is explicitly defined in the Act.
Fairness	0 If a ten-month instalment plan without a debit interest component is charged, ACC (and by extension other levy payers) are likely to be disadvantaged. For this reason, we consider it likely that ACC would not continue the ten-month instalment plan without an interest component. If no ten-month instalment plan is offered, some levy payers will be disadvantaged with higher levy costs,	+ Inclusion of a debit interest charge recognises that levy payers who use an instalment plan have use of their money for longer than those who do not and reduces the potential that delayed levy collection may disadvantage other levy payers or ACC.

	either through alternative financing or penalty interest.	
Transparency	0 There is no transparency around how instalment plan fees are calculated.	+ Allows for instalment plan fees to be set out in regulations following consultation.
Alignment	0 Does not align with IRD's practice of charging debit interest to taxpayers who opt to pay their taxes by instalments.	+ Aligns with IRD's practice of charging debit interest to taxpayers who opt to pay their taxes by instalments.

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

43. Based on the analysis above, the best option to ensure that ACC is able to charge appropriate instalment plan charge is option two, to amend the Act to provide that an instalment plan fee may include a debit interest charge.

44. This is MBIE's recommended option because it would provide clarity regarding the type of instalment plan fee ACC can charge in future, promote fairness between levy payers, and would align instalment plan fees with those charged in other similar systems.

45. MBIE also recommends that ACC's past practice of charging instalment plan fees inclusive of a debit interest charge is retrospectively validated by Parliament. This would ensure that ACC's past practice is supported by the existing legislative framework, and would prevent the possibility that the lawfulness of ACC's past practice could be challenged.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact	Evidence Certainty
Non-monetised costs of the recommended option compared to the status quo			
Regulated groups: businesses.	Costs to business will depend on whether they pay by instalments, and which plan they use: **Upfront**: businesses paying on the due date will be largely unaffected by the change. **Three or six-month instalment plans**: Businesses on these plans will be largely unaffected. **Ten-month instalment plans:** Businesses on these plans will face the same costs as the status quo.	As the current practices are to be validated, there is no immediate impact compared to the status quo. However, the ability to make changes to these rates via regulations means they may be affected by future changes (which would have their own regulatory impact analysis).	High.

ACC	Possible reputational cost of increased public scrutiny regarding the past and current charging of instalment plan fees inclusive of a debit interest charge.	Low	Moderate – it is hard to gauge the impact of public scrutiny.
MBIE	Cost of undertaking policy and legislative change.	Minimal	High
Affected groups	**Comment**	**Impact**	**Evidence Certainty**
Non-monetised benefits of the recommended option compared to the status quo			
Regulated groups: businesses	Businesses are likely to benefit from increased certainty that instalment plans will continue to be available. This is especially true for businesses that rely on the ten-month instalment plans.	low	Moderate – will depend on an individual businesses' circumstance.
ACC	Benefit that the rules around instalment plan fees are equitable, transparent, and appropriate. Lower legal risk for past and future instalment plans.	High Moderate	High High
MBIE	Stewardship benefit that the rules around instalment plan fees are equitable, transparent, and appropriate.	Moderate	High

Section 3: Delivering an option

How will the new arrangements be implemented?

46. The new arrangements will require legislative change. To avoid the risk of a legal challenge occurring during the legislative process, they should be implemented through the use of urgency.

47. The new arrangements will not involve immediate changes for businesses; the current levy rates and charges will continue, and they can continue to opt in or out of paying by instalments. Any changes will require consultation and cost recovery impact analysis as part of the regulation making process.

48. There will be some communications material provided at the time the bill is introduced to the House to explain what it does and why it is needed.

How will the new arrangements be monitored, evaluated, and reviewed?

49. The Bill will set the current instalment plan fee of 2.73 per cent for the ten-month instalment plan by making changes directly in the Injury Prevention, Rehabilitation and Compensation (Interest Rate for Late Payment of Levies) Regulations 2002 as a transitional arrangement. This will likely have a sunset clause to provide a grace period for ACC to go through a typical fee setting process. ACC will then be able to include this as part of the standard consultation on levies due in 2024.

50. The setting of new instalment plan fees will be done as part of the typical levy consultation process. The standard cost recovery impact procedures will apply.

51. ACC will be undertaking a review of payment plans and payment arrangements to determine a future state position for the collection of levies by instalments. This review will consider the customer, technology, process, and financial impact of the payment of levies by instalments.

52. This review will inform any future changes to the regulations.