

Stage 2 and Stage 1 Cost Recovery Impact Statement

Citizenship Fees Review 2026 and Citizenship by Grant eligibility test – cost recovery of test administration and provision

Agency Disclosure Statement

This Cost Recovery Impact Statement (CRIS) has been prepared by the Department of Internal Affairs (the Department). It is presented in two parts – Part 1 provides an analysis of fee options that seek to enable the ongoing cost recovery of providing citizenship services and products. Part 2 provides for the analysis on the high-level approach for cost recovery of the planned Citizenship by Grant eligibility test.

The scope of the Stage 2 Citizenship Fees Review 2026 is limited to updating existing citizenship fees only. The Stage 1 analysis on the Citizenship by Grant eligibility test supports an in-principle decision on the high-level cost recovery approach. Further assessment will be completed to support setting fee levels in early 2027 and reviewed alongside other fees in subsequent reviews.

The CRIS discusses the pricing model used by the Department to inform fee reviews. Fee reviews have previously been completed every three years and will now be completed every two years going forward. The expenses and revenue forecasts are informed by a range of contributing factors and modelled over a ten-year period (from the start of the last review in early 2024). In forecasting, the pricing model considers:

- The range of citizenship services provided and the fee for those services;
- Information on the steps required to provide the services and the cost of those actions;
- The fixed and variable cost the Department expects to incur over the forecasting period;
- Treasury forecasts of changes in the Consumer Price Index; and
- Forecast demand for each product or service (including citizenship by grant applications).

The pricing model forecasts were used to determine options that will achieve the fee review objectives. The forecasts have an underlying assumption that around 65% of all (permanent) residence visa holders will apply for citizenship by grant, which is based on past Department data of the rate visa holders apply for citizenship. The Department also acknowledges that the forecast is unable to account for unknown savings or costs not yet identified.

The analysis in this CRIS draws on the cost recovery principles and guidance from the Treasury and the Office of the Auditor-General (OAG), and section 28(2) of the Citizenship Act 1977. It also considers the immediate impact of options on affordability of citizenship services within the current cost-of-living crisis. The analysis is constrained by having no consultation to inform it. No consultation was undertaken for the Stage 2 part of this CRIS

because it was considered likely to trigger a surge in citizenship applications ahead of the fee increase, potentially affecting processing capacity. Additionally, the proposal includes a sensitive resource reduction matter requiring discretion. The risks of not consulting are assessed as low, as the changes amend existing fees only and do not alter the long-standing cost recovery approach for citizenship services.

This CRIS was modelled on forecast application numbers from March 2026, prior to the Minister of Internal Affairs' (the Minister's) announcement of the citizenship test in May 2026. Application volumes have increased since the announcement, but the Department does not have any certainty on the longer-term impact on application volumes prior to the citizenship test being implemented.

9(2)(f)(iv)

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Agreement from Cabinet on the final proposal for updated fees will permit the drafting of amended fees regulations by the Parliamentary Counsel Office (PCO) and the Department. The Cabinet Legislation Committee will then be asked to approve the amended regulations, subject to consideration by the Executive Council and the Governor General.

This CRIS will be published on the Department's website.

Department of Internal Affairs Quality Assurance Panel Statement

The Department's Regulatory Impact Analysis (RIA) panel (the panel) has reviewed the Citizenship Fees Review 2026 and Citizenship by Grant eligibility test – cost recovery of test administration and provision CRIS (CRIS) in accordance with the quality assurance criteria set out on the Ministry for Regulation website.

The panel members for this review were:

- 9(2)(a), Principal Policy Analyst (Chair)
- 9(2)(a), Senior Policy Analyst (Member)
- 9(2)(a), Senior Policy Analyst (Member)
- 9(2)(a), Policy Analyst (Secretariat)

The panel considers that the information and analysis summarised in the CRIS *meets* the quality assurance criteria.

The second stage cost recovery impact statement (CRIS) for citizenship fees provides a complete, clear and comprehensive analysis of the need for an increase to the fees charged to align with cost recovery principles, including context of the amount charged, anticipated increases in applicants following 2021 decisions to grant residency, and the need for reform. It sets out the Ministerial direction on options and communicates the nature of consultation clearly. While external consultation did not occur, this was well reasoned in the context of

concerns of a spike in applications, the sensitivity of the resource reduction, and the anticipated limited value of consultation on the nature of decisions.

Likewise, the stage one CRIS for the citizenship test clearly sets out uncertainty on the scale of costs, while international evidence provides a reasonable approximation. The type of cost recovery – a standalone user charge for the test – allocates costs in line with principles of cost recovery. The lack of consultation is considered appropriate as a stage one CRIS developed quickly after policy decisions.

We consider that Ministers have sufficient and clear information to support decision making.

9(2)(a)

Chair of the Department of Internal Affairs' CRIS panel

17/06/2026

Executive summary

Part One: Citizenship Fees Review 2026

History of the Citizenship Memorandum Account

The Department of Internal Affairs provides a range of citizenship services under the Citizenship Act 1977 and the Citizenship (Western Samoa) Act 1982. The cost of providing these services is managed and funded through the Citizenship Products and Services Memorandum Account (the Memorandum Account), with the fees individuals pay for these services being the sole source of revenue.

Citizenship fees are prescribed in the Citizenship Regulations 2002. In 2003, a fee review found that costs for providing citizenship services were exceeding the revenue from fees, and the Memorandum Account was in deficit. This resulted in an increase to all citizenship fees. The Memorandum Account moved into a surplus balance in 2007 and has remained in surplus for every three-year review until 2023. No fee increase was sought following the fee review in 2021, as it was understood the surplus would continue absorbing increased costs until at least the next fee review. However, the 2021 review had limitations, and the timing meant several cost drivers were unknown until after the review and were unable to be factored into the forecast.

The last fee review began in 2023

The last fee review began in late 2023/early 2024 and continued through to October 2025. The review found that the cost of providing citizenship services had continued to increase and was no longer met by the revenue from the current fees. It also found that the Memorandum Account showed a deficit of (\$9.240 million) as of June 2025, so there was no longer a surplus balance to absorb these cost increases.

The objectives the Department set for that fee review were to return the Memorandum Account to a neutral balance within a ten-year period from the start of the fee review (by 2033), minimise impact on citizenship services affordability during the next year (in the cost-of-living crisis), and to set equitable and reasonable fees. The ten-year forecast for the

Memorandum Account developed with the Department's pricing model helped to inform fee options to meet these objectives.

Options progressed to Cabinet in 2025

9(2)(f)(iv) a single 19% fee increase to all fees in 2025, 9(2)(f)(iv) 2026, and 2027. Cabinet approved one 19% fee increase for citizenship services and products which took effect on 21 November 2025. Cabinet invited the Minister to report back on the status of the Memorandum Account in 2026 9(2)(f)(iv). This CRIS supports that report back.

This fee review

The Department reconsidered the fees needed for citizenship products in early 2026. The objectives the Department set for this fee review are to efficiently return the Memorandum Account to a neutral balance within a reasonable period (by 2033), to ensure fees are equitably set to recover the costs of delivering the service, and to minimise the impact on citizenship services affordability during the next year (2026/2027). The ten-year forecast, starting from the last review, for the Memorandum Account developed with the Department's pricing model helped to inform fee options to meet these objectives.

9(2)(f)(iv) proposes the efficient, equitable and effective recovery of the historical deficit in the Memorandum Account. 9(2)(f)(iv)

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9(2)(f)(iv) both include a proposal to reduce the Department's costs by reducing the number of Life and Identity Services Officers (LISOs) who process citizenship applications by 10%.

9(2)(f)(iv)

The fees in the Schedule of the Citizenship Fees Regulations 2002 will need to be amended to give effect to the proposed increase. The Department is confident in implementing the fee increases in the system and managing the announcements of fee increases, to ensure there are no resourcing issues and processing delays from a spike in applications before the increase takes effect.

Next fee review

Fees will next be reviewed in 2028, in accordance with the updated two-yearly review cycle. One of the objectives of this fee review is to recover the deficit over a ten-year period. The Department acknowledges that a long-term forecast is subject to change where additional costs or savings arise, or if demand for services changes. Reviewing every two years rather than three will enable the Department to produce updated forecasts more frequently and

monitor whether this objective remains on track. If not, the fee review can seek changes to fees accordingly.

Part Two: Citizenship by Grant eligibility test – cost recovery of test administration and provision

The Citizenship Act 1977 gives the Minister of Internal Affairs discretion to grant citizenship to people born outside of New Zealand. Eligibility requirements for citizenship by grant are set out in section 8.

One of the requirements is that applicants must satisfy the Minister that they have sufficient knowledge of the responsibilities and privileges attaching to New Zealand citizenship. Responsibilities include obeying the laws of New Zealand, registering on the electoral roll, paying tax and behaving as a responsible New Zealander. Privileges include the right to live in and return to New Zealand indefinitely, holding a New Zealand passport and standing for Parliament or local government. Currently, applicants demonstrate this requirement by signing a declaration as part of their application, which lists responsibilities and privileges (see **Table 15** for the full list currently provided in the declaration).

While most of these responsibilities and privileges also apply to people with a residence class visa some, such as standing for election and holding a passport, apply only to citizens.

In May 2026, Cabinet noted the intention of the Minister to change how the Minister would be satisfied that applicants for citizenship by grant meet this requirement. From late 2027, most applicants will have to complete a short, multi-choice test on the responsibilities and privileges. Changing the eligibility requirement from a declaration to a test, and the settings to give effect to this change, is an operational change and not subject to regulatory impact requirements.

Following advice in early 2026, the Minister has opted for provision of the test to be in-person, and the Department advised that the most viable option to implement this model would be to contract a third-party provider with a wider physical presence across the country.

The intention is to charge a new fee separate to the main application fee for citizenship by grant to encourage applicants to study for and pass the test in as few attempts as possible. This would also avoid cross-subsidising the costs of the test across applicants not in scope of the test, and who take fewer attempts to pass. Legislative authority to create a new fee is provided within existing regulation-making powers under the Act (section 28(1)(i)).

The estimated charge for the test fee is ^{9(2)(f)}_(iv). This covers both direct and indirect internal costs to the Department to manage the test as part of the existing process for citizenship applications, and the estimated per test cost of contracting a provider to administer in-person tests.

Costs of providing the test are broadly expected to match revenue to be recovered from fees. However, there are uncertainties around whether the test influences the likelihood people will apply for citizenship, whether the increase in demand in applications due to the 2021 Residence Visa eventuates as forecast, passing rates and results for the test, and how many applications that progress to the Minister as a result of continuing not to pass.

Further work on fee levels will be progressed following Cabinet decisions on the fee approach. This will be informed by a procurement process for a provider. At the time of

writing, the first stage of this process is underway with a Request for Information period ahead of a formal Request for Proposal.

Decisions on fee levels will be sought from Cabinet in early 2027, ahead of the test taking effect in late 2027. Operational settings for the test will be reviewed one year after implementation, and subsequent review and monitoring of the test fee will be incorporated into the broader fees review process for citizenship products and fees.

Part One: Citizenship Fees Review 2026

Status quo

1. Citizenship is an important facilitator of identity, belonging and social cohesion. It helps to provide a common link between different ethnic, cultural and other social groups in New Zealand, and brings people together as community.
2. New Zealand citizenship also bestows several privileges and responsibilities. Citizens have the freedom to live, work and study in New Zealand indefinitely, hold a New Zealand passport, and participate in democratic processes. In return, citizens must follow New Zealand law and pay taxes.
3. A person may obtain New Zealand citizenship by birth, descent or grant. The Department is empowered to provide citizenship services and products by the Citizenship Act 1977 (the Act) and the Citizenship (Western Samoa) Act 1982. Additionally, section 28(1)(i) of the Act empowers the fees associated with the provision of these services to be prescribed in secondary legislation.
4. Fees enable the Department to fund the requirement that New Zealand citizenship status is formally recognised, conferred and recorded. Section 28(2) of the Act also requires the fees to be reasonable and have regard to the costs and expenses incurred and borne in respect of the matter for which the fee is payable. Citizenship services are considered a private good, so fees have been set up to operate on a full cost recovery basis. Those who are receiving the sole benefit of citizenship services and products should pay for the full cost associated with providing those services. However, there is public good in those services being reasonably priced, and efficiencies in processes should be prioritised. This fee review does not consider any alternative funding approaches such as Crown Funding.

Reviews of cost recovery charges

5. The Citizenship Regulations 2002 set out the current prescribed fees in the Schedule. The eleven citizenship services and their associated fees may be found at **Table 8, Annex 1**. Fees are set up relative to each other based on the costs associated with each service.
6. Citizenship fees provide the sole revenue for the Department's Citizenship Products Memorandum Account (the Memorandum Account), which manages and funds all expenses associated with providing citizenship services. Full cost recovery policy applies to all citizenship services.

The 2003 fees increase

7. Prior to the most recent fees increase in November 2025, all citizenship fees were increased in September 2003. This fees increase was required because the cost of delivering citizenship services exceeded revenue, leaving a deficit of (\$3.264 million) in the Memorandum Account at 30 June 2003. The increase sought to recover this deficit over five years, with the account returning to surplus by 2007.¹
8. Since that increase, fees were reviewed by the Department every three years, in line with best practice fees recovery guidelines from Treasury and the Office of the Auditor-General (OAG). These reviews showed that the costs for providing citizenship services have been increasing over time, largely driven by inflation (as measured by the Consumer Price Index (CPI)). However, a surplus balance in the Memorandum Account, resulting from the 2003 fees increases, absorbed these cost increases and meant that it was not necessary for the Department to seek increases to fees during these three-yearly reviews.

The 2021 fees review

9. The June 2021 fees review revealed that the Memorandum Account was in a surplus of \$9.893 million. Historical expenditure trends and the ten-year forecast from that review indicated that the Memorandum Account would remain in surplus until the 2024 fees review, with any potential deficit in the ten-year forecast estimated to be negligible. Fees increases were not pursued by the Department on this basis and were deferred for consideration until the 2024 fees review.
10. However, significant limitations of this 2021 review and the forecast it produced, as well as additional citizenship services expenses, unknown at the time of the review, were not factored into the forecast. These cost drivers became apparent after the review, meaning these expenses were not factored into the forecast. These included:
 - Hiring additional staff to process and reduce a backlog of citizenship by grant applications²;
 - Increases in general operating costs (including property, IT, equipment);
 - The replacement of a fully depreciated and out-of-support core IT system with a new cloud-based system (still ongoing); and
 - The introduction of the new 2021 Resident Visa in September 2021. The Department did not know this visa would be introduced at the time of the June 2021 fee review, so was unable to consider whether future costs associated with processing a spike in the resulting citizenship by grant applications (from 2026) warranted a fee increase at this time (this issue is explored more at **paragraphs 39 – 43**).
11. Once these additional cost drivers became apparent the 2021 review was not reopened, and an updated forecast of expenses and revenue was not produced. Department resourcing in the identity product space was focused on processing the backlogs of passports (following the reopening of the border after Covid-19 closures) and citizenship

¹ We are limited by information available from this time but can presume the intention was not to increase costs far beyond the value of the services so as to achieve this ongoing surplus (as this is not in line with cost recovery). They were likely increased to ensure they aligned with the value of the service as far as possible and recovered the deficit. The resulting surplus was likely due to increased demand for services or other reduced costs that were not factored in at the time.

² In 2020/21 there were 14,536 adult grants and 2,331 child grants, in 2021/22 24,470 adult grants and 2,687 child grants, and in 2022-23 there were 36,298 adult grants and 5,332 child grants.

applications. Any consideration of fee increases remained deferred to the 2024 fee review.

The recent fees review and increases (2024-2025)

12. The Department began reviewing the citizenship fees in late 2023 where it was found that Memorandum Account had a deficit of (\$0.282 million) in June 2024. The review continued into 2025 by which time Memorandum Account had a deficit of (\$9.240 million) in June 2025.
13. This review found that the cost of providing citizenship services has risen over the past decade. Between 2015/16 and 2024/25, departmental expenses increased by 143%, from \$12.429 million to \$30.254 million. Multiple cost increase drivers were identified as contributing to this increase in costs (as described in paragraph 10 above). This included a 33% rise in CPI and increasing wage costs which peaked at a 4.5% increase in the first quarter of 2023.
14. However, revenue increased by only 39% during this period, from \$15.332 million to \$21.296 million, and was largely due to higher demand for services. A per-year table of expenses, revenue and the impact on the balance of the Memorandum Account can be found in **Table 9, Annex 1**.
15. In October 2025, approval was sought from Cabinet to increase all fees for citizenship products and services. The fee increases were intended to realign citizenship fees with the cost for providing services, and to return the Memorandum Account to neutral by 2033.
16. ^{9(2)(f)(iv)} [REDACTED] as this option would realign fees with costs and return the Account to a neutral balance by June 2033. The Department signalled that ^{9(2)(f)(iv)} [REDACTED].
17. Cabinet approved one 19% fee increase for citizenship services and products which took effect on 21 November 2025. Cabinet invited the Minister to report back on the status of the Memorandum Account in 2026 ^{9(2)(f)(iv)} [REDACTED].

Problem with the status quo

18. The recent single 19% fees increase has not been sufficient to realign the fees with the full cost for providing citizenship services and products, nor has it been sufficient to return the Memorandum Account to neutral by June 2033.
19. The Department has forecast that the deficit balance of the Memorandum Account will increase to (\$68.366 million) by June 2033 under the current fees. For 2025/26, the current estimate of the deficit balance of the Memorandum Account is (\$22.660 million)³. Without further intervention, the deficit will continue to increase over time, as noted in **Table 1** below.

³ Noting that this number has not yet been subject to audit. The last audited balance was a deficit of (\$9.240 million) as of 30 June 2025.

Table 1: Projected deficit balance of the Memorandum Account over time without further fee increases

2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
(\$32,697,217)	(\$38,119,388)	(\$37,718,938)	(\$39,343,285)	(\$48,397,857)	(\$57,155,313)	(\$68,366,204)

20. The Department must support the deficit from its balance sheet until the Memorandum Account returns to neutral in accordance with Treasury cost recovery guidelines. If the Department continues to provide citizenship services at the current fees, it will place ongoing pressure on the Department's balance sheet to absorb the additional costs. Continuing to support the Citizenship Memorandum Account deficit from its balance sheet will put the Department at risk of not meeting its future obligations, such as the repayment of \$154 million of repayable capital injections provided to support the Passports system, over the next few financial years.

Cost Recovery Principles and Objectives

Principles

21. The principles underpinning citizenship fees are informed by Treasury and OAG fee guidelines, as well as the requirements of the Citizenship Act 1977. The fees should be:

- **Reasonable:** section 28(2) of the Citizenship Act 1977 states that every fee prescribed by or under regulations shall be reasonable, having regard to the costs and expenses incurred and borne by or on behalf of the Secretary of Internal Affairs in respect of the matter for which the fee is payable;
- **Equitable:** those who benefit from citizenship services and products should meet the full cost of providing the service to them;
- **Efficient:** this means delivering goods and services to the required quality using the least resources possible, to achieve value for money. Fees should closely reflect the efficient cost of delivery, with costing approaches that are proportionate and do not create unnecessary effort, expense, or incentives for either the organisation (the Department) or fee payers; and
- **Effective:** this means allocating resources in a way that achieves the intended outcomes, with funding that is sufficient to deliver the activity at an appropriate level of quality without over- or under-resourcing.

Objectives

22. The Department has set objectives for the 2026 Citizenship fees review that align with principles informed by Treasury and OAG cost recovery guidelines, as well as the requirements of the Citizenship Act 1977. These objectives focus on recovery of the existing deficit and ongoing cost recovery. Furthermore, these objectives would enable any proposed options to be assessed for consistency with the citizenship fees principles above.

23. With higher demand expected in future years, the Department needs to use resources efficiently to manage demand and recover costs.⁴ This requires efficiently allocating resources so that future fee changes are minimised while also maintaining service quality and recovering the deficit. The following objective was developed pursuant to the efficiency principle:

- **Objective 1 - Efficiency:** ensure that fees set now will return the Memorandum Account to zero at the least cost to the Department.

24. Additionally, citizenship fees are intended to operate on a full cost recovery basis, and users should pay for the full cost of the service they are being provided with. Setting fees now will balance the Memorandum Account by June 2033 and allow costs to be spread across more users during surge years. Therefore, the following objective was developed pursuant to the reasonable and equitable principles:

- **Objective 2 - Equity and reasonableness (cost recovery):** ensure that the full costs for providing citizenship services are spread equitably across those receiving the benefit of those services.

25. The Memorandum Account should trend towards zero over a reasonable period. While recovery of a historical deficit from future users is inequitable, this has been mitigated by pitching recovery of the deficit over a ten-year period until June 2033 (starting from the last fee review in early 2024). Recovering beyond ten years risks further unknown fluctuations in revenue and costs impacting on the forecast, significantly reducing the Department's confidence in the modelling of expenditure and revenue. The following objective was developed pursuant to the effective principle:

- **Objective 3 - Effective (deficit recovery):** ensure that the projected increase will recover the deficit over a reasonable period (by June 2033).

26. However, the rising cost of everyday essentials impacts on people's ability to afford other services (such as citizenship services). Affordability can be a barrier for applying for citizenship. We consider for this fee review it is still reasonable to consider which options would have the lowest immediate impact on affordability of citizenship services following any fee changes. While this is not a cost-recovery objective/principle according to Treasury/AOG, it has been considered here. The following objective was developed pursuant to affordability of services:

- **Objective 4 - Service affordability:** minimise the immediate impact of fee increases on affordability of citizenship services.

Weighting the objectives

Efficiency and effective (deficit recovery) should be weighted more heavily than the other objectives

27. As noted above at **paragraphs 23-26**, Treasury's expectation is that the balance of the Memorandum Account should trend towards zero over a reasonable period, and the sole revenue for the Account is from citizenship fees. Recovering the deficit is therefore a

⁴ Higher demand is expected because more people gained residency visas in 2021, due to the 2021 Residency Visa that was introduced in September 2021. Their eligibility to apply for citizenship by grant from September 2026 will create that demand.

necessary objective and is a core component of the cost increase modelling to inform the options considered in this review.

28. Recovering a deficit can conflict with equity as it concerns recovering historical costs from future service users, particularly if the revenue for the services is increased beyond the costs of the services. The Department considers managing and recovering the deficit over a ten-year period (from the start of the last review in early 2024 until June 2033) is reasonable and mitigates the equity conflict. It spreads the impact of recovering the deficit over that period, meaning the cost of recovering the deficit can be shared between more users, and the costs for each user can be set lower than if the deficit needed to be recovered in a shorter period. Recovering beyond ten years risks further unknown fluctuations in revenue and costs impacting on the forecast, significantly reducing the Department's confidence in the modelling of expenditure and revenue.
29. For the purposes of this review, the Department has decided to weight the objectives of efficiency and effective (deficit recovery) higher than the objectives of equity and reasonableness, and service affordability. This is because the Department considers it is necessary that an option can enable the Memorandum Account to trend toward zero by June 2033, despite the conflict with equity.
30. The Department also considers that fiscal sustainability is a more critical objective than service affordability. As a result, we advise that an option should not propose a lower, more affordable fee increase if it means that achieving a neutral balance by June 2033 is not possible.

Objectives of equity and reasonableness, and service affordability should be weighted equally

31. The Department has considered the weighting between the objectives of equity and reasonableness (cost recovery) and service affordability, despite the unavoidable trade-offs between these two objectives. A lower initial first increase with a staged additional increase would better meet the service affordability objective by having a smaller fee increase during the cost-of-living crisis (in the next year). However, it would compare less favourably against the equity and reasonableness objective, as more of the costs would be loaded on to citizenship applicants who apply later in the period up until June 2033 (this represents some cross-subsidisation).
32. Overall, the Department considers that these two objectives should be weighted equally. While equity and reasonableness is an important principle of cost recovery, addressing the current context of cost-of-living in a limited way (i.e., not deferring all costs to a later point and looking at immediate impact only in the next year) in the options analysis is also reasonable. Weighting these two objectives the same will ensure the proposed options can be assessed equally against those objectives and the trade-offs illustrated to their fullest extent.

Overall weightings

33. Overall, the Department intends to weight the objectives: efficiency (**1.5x**); effective (deficit recovery) (**1.5x**); equity and reasonableness (cost recovery) (**1x**) and service affordability (**1x**). While the Department considers that deficit recovery, through efficiency and effectiveness, is the most critical consideration, it only conflicts moderately with the other two objectives. An even split in weighting is appropriate.

Policy rationale: Why a user charge? And what type is most appropriate?

34. A user fee remains appropriate due to citizenship services being considered a private good. The privileges received with New Zealand citizenship only directly benefit the person receiving that citizenship.
35. Citizenship services are not Crown funded, and the Department does not have an operational budget dedicated to fund these services. On average, from 30 June 2019 to 30 June 2024, 31,719 adults have applied for citizenship by grant each year and 12,951 persons have applied to register citizenship by descent. This is a small proportion of the New Zealand population using these services each year, with the population estimated at 5,348,600 by Stats New Zealand as of 30 September 2024.
36. Crown funding or Department funding would therefore result in the wider public funding a service that they are unlikely to ever receive benefit from. It is most equitable that those using and benefitting from citizenship services pay a user fee that recovers the full cost of providing the service. However, there is public good in providing access to citizenship services at a reasonable cost, so this must be considered for any proposed user fees.

The level of the proposed fee and its cost components (cost recovery model)

37. As noted, the cost of providing citizenship services is no longer able to be covered by revenue from current fees. The Memorandum Account is in deficit and therefore can no longer absorb the extra cost with a surplus balance.

The pricing model

38. The Department uses a pricing model to inform decisions on future fee adjustments and determine the fee settings needed to achieve cost recovery, and to recover the deficit. The pricing model involves forecasting both the expenses and revenue the Department expects from citizenship services over the next ten years.⁵ These forecasts need to consider a range of contributing factors, including the expected demand for services and cost increases.

The volume of applications

39. The volume of applications informs both the forecast of expenses and revenue expected over the next ten years. This is a significant consideration in this fee review, specifically for citizenship by grant applications. Citizenship by grant applications account for around 70% of the volume of services provided, with all services and volumes modelled in **Table 10, Annex 2**.
40. The number of citizenship by grant applications received yearly have previously tended to be consistent (see **Figure 1, Annex 2**). However, the Department has identified that a significant increase in citizenship by grant applications is expected from 2026, resulting from the 2021 Resident Visa Category (the 2021 Visa). This visa was open from 1

⁵ As recovery of the deficit is ongoing since the 2024 – 2025 fee review, the ten-year period was from the beginning of that fee review.

December 2021 – 31 July 2022 and provided a one-off residency pathway to enable some work visa holders to remain in New Zealand permanently.⁶

41. Immigration New Zealand report that 103,961 applications were approved, equating to 212,649 New Zealand residents.⁷ Entitlement to remain in New Zealand permanently is one of the requirements to qualify for citizenship by grant. From 2026 onward, holders of the 2021 Visa will have also fulfilled the qualifying time period and will be eligible to apply for citizenship by grant. The Department's data shows that around 65% of persons granted permanent residence go on to apply for New Zealand citizenship.
42. Based on this data, the 2021 Visa will cause an estimated 140% increase in citizenship by grant applications from 2026 (with the assumption that this will span from 2026 – 2028, and the peak of the surge being in 2027-2028), compared to the previously lower and consistent volume of applications. This increase is modelled in **Figure 1, Annex 2**.
43. The forecasted balance of the Memorandum Account accounts for the temporary costs of additional staffing, resource and operational supports to accommodate the increase in applications expected from the 2021 Visa. Recognising the need to have sufficient (but not excess) staffing numbers, the Department will need to consider employing persons on fixed-term roles as well as how to utilise a cross-skilled workforce to manage peaks, while carefully monitoring volumes and using staff attrition to reduce staffing levels over time.

Forecast volumes of citizenship services

44. Citizenship by grant is the most used citizenship service. The forecast for citizenship by grant is derived based on the monthly residence class visa decision data published by Immigration New Zealand, along with annualised residency approval data and historical migration trends. People of residence class visas are able to apply for citizenship once they meet the presence requirement in the Citizenship Act (approximately five years). According to the Department's data, on average 65% of people who receive a residence class visa apply for citizenship.
45. Expected volumes of the most-used citizenship services are set out in **Table 2** below, including the expected citizenship by grant applications based on the data above. All fee options proposed seek to maximise efficient resource allocation and spread costs between more users during the expected surge in demand years from the 2021 residence pathway (the 2021 Visa). These applicants will be able to apply from late 2026, with the rise in applications anticipated through to 2029/30.

Table 2: Forecast volumes of citizenship services

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Citizenship by grant (adult)	59,333	89,135	68,880	47,693	29,219	29,219	29,219

⁶ The Visa was created in response to the uncertainty migrants faced during COVID-19 from closed borders and necessary changes to immigration settings and sought to recognise the immense contribution migrants made to New Zealand during this time.

⁷ Published by Immigration NZ 13 June 2024 - [2021 Resident Visa: Immigration New Zealand](#).

Citizenship by grant (child)	9,490	13,058	10,474	7,553	5,190	5,190	5,190
Citizenship by descent	12,185	12,359	12,542	12,729	12,906	13,096	13,290
Confirmation and denial of citizenship	2,528	2,542	2,556	2,570	2,583	2,597	2,611
Renunciation of NZ citizenship	65	65	65	65	65	65	65

46. While **Table 2** shows the expected volumes, actual application volumes are currently tracking below forecast by 8 – 13%, but this is fluctuating month to month. Actual applications were above forecast in February 2026. The Department will continue to monitor these forecasts against actual volumes.

47. There are several reasons relating to whether people may choose to apply for citizenship that could account for forecast fluctuations. For example, country of origin policy changes relating to dual citizenship, long-term intention to reside in New Zealand (influenced by economic factors), costs of obtaining citizenship or other personal reasons unknown to the Department.

48. Prevailing economic conditions, such as current cost pressures relating to fuel prices, may reduce demand for citizenship, especially as cost is a known barrier for some applicants. However, the Department has no recent evidence to confirm this, and any impact may only become apparent through ongoing monitoring of applications against forecasts.

The forecast of expenses and revenue over the next ten years

49. Expenses associated with providing citizenship services can be organised into fixed costs, semi-variable costs, and direct operational costs:

- **Fixed costs:** GST, depreciation and capital charge;
- **Semi variable costs:** accommodation, central ICT, telecommunications, production systems, central support costs and other operating costs); and
- **Direct operational costs:** direct resourcing (including personnel)⁸, identity support, branch enabling services, and agency costs.

50. The expenses have been broken down further and modelled in **Table 11, Annex 2**. The total estimated cost of these expenses over time, along with forecasted CPI increases, were used to inform a forecast of expenses over the next ten years.

51. The sole revenue of the Department's Memorandum Account comes from citizenship fees. The forecast of revenue is therefore based on the forecast demand for each product

⁸ Personnel costs are primarily accounted for under direct operational costs. However, it is noted there is also some personnel support accounted for in semi variable costs, such as for central ICT and central support.

or service and includes the expected sharp increase in citizenship by grant applications from the 2021 Resident Visa.

Contributing costs to the existing deficit

52. Recovery of the existing deficit is factored into the forecasting until 2033, and therefore the cost recovery model. The current deficit is (\$22.660 million) and is expected to increase to (\$68.366 million) in accordance with **Table 1** above.
53. An analysis of expenses incurred by the Department showed that cost increases over the past ten years had contributed to the rising costs for providing citizenship services and products. **Table 3** below provides some specific examples of cost increase drivers and additional citizenship service expenses, including the CPI and wage increases.

Table 3: Previous specific cost increase examples

Wage increases	There has been a 49.8% increase to average wages for a Life and Identity Services Officer between 2017 (\$46,702) and 2026 (\$69,941). There are two main reasons for these increases: 1. General bargaining with the PSA; 2. A revision to the job profile band for employees requiring the capacity to cross-skill our staff across all areas of our business.
Property rent	There has been a 17% increase⁹ to property rent for Waterloo Quay, the processing facility, between 2020 (rent was \$1.865 million) and 2026 (rent is \$2.187 million).
New citizenship IT systems	A total capital investment of \$23.7 million on new citizenship systems into the fees model. This investment includes new online services for customers (apply online, my account and applications status tracking functionality), real time Application Programming Interfaces (APIs) with Immigration New Zealand to automatically calculate customer status and presence information, and a completely new citizenship by grant processing system for staff, which was agreed to by Cabinet. This was a necessary replacement of a fully depreciated and out-of-support core IT system with a new cloud-based system. The new system has been designed as efficiently as possible¹⁰, but additional depreciation, capital charge and increased licensing costs on the new system need to be covered. The true impacts of this were not known at the time of the 2021 fee review.

⁹ This percentage increase is based on market-based movements and/or increases which are periodically negotiated.

¹⁰ The new system was developed progressively, based on prioritised business value but the new system contained a fuller set of requirements than the old system due to its outdated nature. For example, the old system could not support the ability for customers to apply online and for business processes to be automated thus reducing manual processing by our staff. As part of this we have seen a 17% productivity improvement in processing since implementation of the new system.

Citizenship ceremony costs	Citizenship ceremony costs are charged for each candidate recorded on the invitation list by councils to the Department, as they provide these ceremonies on the Department's behalf. The Department recovers the charges paid to councils for ceremonies via the citizenship fees. These charges have increased gradually across councils from \$15 (in 2020/21) to \$46.28 plus GST on 1 July 2025. This is around a 208.5% increase. The first increase was from \$15 to \$35 in 2020/21, as councils reported they were losing money per ceremony of the original charge. There has been an agreement with most councils¹¹ since 2023 that the charge would be automatically adjusted annually for Consumer Price Index increases, which is why the charge is now \$46.28. The charge is set to be increased to \$47.67 on 1 July 2026.
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Changes in underlying assumptions that may affect forecasting

54. It is acknowledged that this modelling assumes that around 65% of 2021 Visa Holders will apply for citizenship, based on previous data trends of visa holders. It is possible the increase in citizenship by grant applications may be lower than modelled.
55. However, this should not make a significant difference to the forecast. There would still be a spike in citizenship by grant applications compared to previously consistent application numbers, even with a more modest estimation of how many 2021 Visa holders may apply.

Unknowns that may affect forecasting

Forecast fluctuations and savings

56. As noted earlier in **paragraphs 23-26**, one of the fee review objectives is to recover the deficit and return the Memorandum Account balance to neutral by June 2033. A limitation is that a ten-year forecast may be subject to change, as demand and expenses have the potential to fluctuate and be impacted by (often unforeseen) future events.
57. There may be unidentified savings (additional to those referred to later in **paragraph 64**) in the future that are not included in the ten-year forecast. The Department has been directed to identify further savings where possible, but these are not known at this time.
58. Any risk from unknowns in long-term forecasting will be mitigated through monitoring via future two-yearly fee reviews. New forecasts will be produced and can factor in any changes. This will monitor whether the objective of this fee review to recover the deficit by June 2033 is still on track, or whether intervention is needed (refer to the section on Monitoring and Evaluation, **page 24**).

Impact of proposed citizenship test

¹¹ This is with the exception of Chatham Islands, which still charges \$35. They have chosen not to enter into an agreement with the Department for annual CPI increases to the charge.

59. It is unknown how the proposed citizenship test may impact the citizenship by grant forecasts. For example, applicants who are eligible to apply when the test is announced may seek to do so before the test is implemented, resulting in a surge in demand before late 2027. It is also possible that there may be an initial decrease in citizenship by grant applications when the test is implemented.
60. The Department cannot determine the impact until the test is announced and in place. However, because the Department is seeking to realign fees and costs and balance the Memorandum Account over an extended period (by 2033), we expect that any fluctuations in volumes caused by the test will even out over this time and not cause significant risk to the fees forecast.

Efficiencies and future savings

61. Before developing options for this fee review the Department reviewed the efficiencies gained since the last fee review that have resulted in reduced costs and considered whether there may be further cost savings available to reduce necessary fee increases.

Efficiencies factored in since last fee review – aka ‘the current cost scenario’

62. The updated volume forecast for citizenship by grant is more favourable, which has directly led to a lower increase in fees being required compared to the 2025 increase.
63. In addition, there have been improved efficiencies in processing times for citizenship by grant due to the implementation of Pepetuna.¹² Processing has been 17% more productive in the final quarter of 2025 and the first quarter of 2026 compared to the 2023 and 2024 calendar years. There are also other expected savings from further productivity gains due to team structure changes and the introduction of team targets. These savings are not monetary savings, as the Department has used these efficiencies to address processing backlogs. However, they provide us with confidence about our ability to meet further savings that would support lower fee increases.

Future efficiencies and savings factored in – aka the ‘savings cost scenario’

64. The Department intends to use fixed term resource to manage the anticipated surge in applications forecast from 2026/27. The savings cost scenario still allows for the surge to be managed through increased resourcing but reduces this amount by 10% from 2027/2028 onwards. The Department considers that this target, while challenging, is the maximum that can be considered without materially impairing service delivery. We would look to lower recruitment levels substantially (24 FTE) over the next financial year. This would reduce the overall citizenship costs and therefore reduce the fee increases needed to realign fees with costs. Table 4 below shows this 10% reduction as measured in the number of FTE. The Department estimates the FTE reduction would result in estimated cumulative savings of \$9.251 million over the period 2027/28 - 2032/33.
65. Given the extensive nature of the Pepetuna changes any additional productivity improvements will likely be more modest. However, given that Citizenship by Grant remains a complex entitlement product we believe that in taking a structured process

¹² In March 2025 the Department implemented system enhancements (Pepetuna) to the Citizenship by Grant service adding significant new processing automation, including a fully automated identity proofing service and new case management functionality. This system automation meant staff only have to deal with customer exceptions which improved case management functionality so that interactions with customers are easier to manage.

improvement approach we will be able to further improve business process and better support our people to manage Citizenship by Grant processing more efficiently.

Table 4: Proposed 10% reduction in surge LISO resourcing from 2027/28 (Number of FTE)

	27/28	28/29	29/30	30/31	31/32	32/33
Base	238	143	103	98	94	105
New (90%)	214	129	93	88	85	94
Reduction	24	14	10	10	9	24

66. However, there are risks associated with reducing the amount of surge LISO resourcing. Demand could outstrip resourcing where the citizenship by grant work in progress numbers will increase, increasing wait times for customers. Recruitment and/or training in citizenship by grant work takes longer than other areas, so ramping up recruitment quickly in citizenship by grant will take at least six months. Non-financial performance measures may also be impacted. For example, the processing of citizenship by grant and descent applications within business timeframe standards.

67. If demand were to overtake resourcing, this would need to be first addressed with overtime. The Department considers that this risk can be mitigated with continuing to pursue efficiencies to offset the reduced staffing, which we are already seeing from Pepetuna, and is as expected from the productivity gains due to team structure changes and the introduction of team targets. While we note the forecasted surge from December 2026, due to the 2021 Resident Visa, the Department has already demonstrated a strong focus on lifting Citizenship by Grant services. In the 2024 calendar year, we processed 43,536 applications, which increased to 49,231 applications in the 2025 calendar year. Overall, due to the enhancements from Pepetuna and the above-mentioned productivity gains the Department is comfortable with managing the level of risk this 10% reduction poses.

Proposed fee options

68. The pricing model was used to develop feasible options to meet the objectives of the fee review.¹³ A no fees increase (status quo) has not been assessed as an option. Fee increases would be applicable to all fees in the Schedule of the Citizenship Regulations 2002. The options to be assessed in this CRIS are separated into the two proposed scenarios, *the current cost scenario* and *the cost saving scenario*.

9(2)(f)(iv)

¹³ We are unable to model how much of the proposed increases are made up of forecast costs, and how much is allocated to pay the deficit, as the Department's modelling combines this all together.

- 9(2)(f)(iv) [REDACTED]
 - [REDACTED]
- [REDACTED]

9(2)(f)(iv)

[REDACTED]

Flat rate of fees increases

74. All options propose a flat rate increase across all fees increases. An option to increase different service fees by different percentages has not been proposed. This fees review assumes that cost increase drivers for providing citizenship services have increased all

fees proportionately, so the relativity of the fees to each other has not changed. This assumption is made in the absence of any evidence suggesting otherwise.

75. 9(2)(f)(iv)



76. For all options, the Department will support short term deficits from its balance sheet until the Memorandum Account returns to a neutral position. Repayable Capital Injections to support the Memorandum Account until the account deficit is addressed are not being sought by the Department. The Minister's preference is for the Department to support the deficits until the Memorandum Account balance returns to a neutral position.

Proactively released by the Minister of Internal Affairs

Impact analysis

77. 9(2)(f)(iv)

9(2)(f)(iv)

Key for scoring in Table 7:

- 2 much better than doing nothing/the status quo
- 1 better than doing nothing/the status quo
- 0.5 slightly better than doing nothing/the status quo
- 0 about the same as doing nothing/the status quo
- 0.5 slightly worse than doing nothing/the status quo
- 1 worse than doing nothing/the status quo
- 2 much worse than doing nothing/the status quo

Bracketed figures incorporate weighting of criteria

The status quo (no fees increase) does not meet the objectives

78. Per **Table 7** above, the status quo (no fees increase) would not meet any of the objectives. It is therefore not assessed further as a feasible option for this fee increase.

Assessment of the options against the objectives

Objective 1 - Efficient resource allocation to recover the deficit

79. The same quality of service is intended to be maintained under all proposed fee options. The department will continue to investigate process improvements (including the use of artificial intelligence) and more effective use of technology and automation however the largest cost driver is staffing. ^{9(2)(f)(iv)}

This reflects the Department's intention to efficiently allocate resources and minimise the fee changes needed to realign costs and services and recover the deficit. ^{9(2)(f)(iv)}

Objective 2 - Recovering the cost of citizenship services provided to those benefiting from them

80. ^{9(2)(f)(iv)}

81.

Objective 3 - Returning the Memorandum Account to neutral by June 2033

82. ^{9(2)(f)(iv)} are designed to achieve the objective of having the Memorandum Account trend towards zero and reach a neutral balance by 2033. ^{9(2)(f)(iv)} options score the same for the effectiveness objective in **Table 7**. ^{9(2)(f)(iv)}

Objective 4 - Minimising the immediate impact on service affordability in the cost-of-living crisis

83. The options have also been assessed for their impact on affordability (in the first year after this review) while keeping in mind the need to also achieve the necessary objectives of recovering the deficit, efficiently and equitably, by June 2033, as well as recovering the cost of services equitably. All the feasible options therefore impact on affordability to some degree, as they involve increases to the current fees.

84. 9(2)(f)(iv) scores the best with respect to minimising the immediate impact on affordability.

85. 9(2)(f)(iv)

Consultation

86. A constraint of this analysis is that no consultation was undertaken. The Department considered that consulting may have led to a spike in applications for citizenship services prior to the fee increase, and there was some risk that this would adversely impact the Department's processing capacity and capability. This was also the case in the 2023-2025 fees review where we did not consult.

87. An additional reason the Department decided not to consult was due to the sensitivity of the resource reduction proposal related to the LISOs. As a result, this proposal is required to be held tightly within the Department and discretion exercised.

88. While the above two reasons were the main motivations for not conducting public consultation, we also expected that the feedback might not provide enough contribution to change the implications of the analysis. The analysis highlighted the urgency of aligning the fees with the cost of providing citizenship services and products to prevent the deficit increasing and return the Memorandum Account to neutral in a reasonable period. As a result, it was anticipated that any consultation would have focused solely on the apparent steep increase of the fees, compared to the current fees, without considering these implications.

89. However, we do note that public consultation might have made the analysis regarding the fourth objective (service affordability) more robust. This objective is not based on Treasury or OAG principles but driven by the Minister's objective to minimise the impact of the fees increases during a cost-of-living crisis. Public consultation may have provided more evidence on the affordability of the proposed increases.

90. The anticipated risks associated with the lack of consultation are low, given that no new user charges are proposed, only amendments to the existing fees. There is also no change to the long-standing cost recovery model for citizenship in that the expenses associated with the provision of citizenship services should be recovered from the person(s) receiving the exclusive benefit of those services.

Conclusions and recommendations

9(2)(f)(iv)

91.

9(2)(f)(iv)

92.

93.

94.

These options are directed to be considered by Cabinet

95. 9(2)(f)(iv)

96.

has the lowest initial increase out of the options presented, thereby having the most minimal impact on affordability of the services in the current cost-of-living crisis. The Minister also wished to minimise any immediate impact that might be had on the CPI.¹⁴

97. The Minister also suggests 9(2)(f)(iv)

Implementation plan

98. A fee increase would be given effect to through an amendment to the Schedule of the Citizenship Regulations 2002, where the fees for all citizenship services are set out. The fee change would apply the date the amended regulations take effect.

¹⁴ The Department notes that any impact of these fee increases on the CPI are likely to be negligible, because citizenship services are only used by a small proportion of the population (refer to **paragraph 35**).

99. The Department will need to implement system changes necessary to give effect to the new fees. The level of risk is low as the system changes involve a relatively simple update of the fees table built into the system. Risks will be identified, and mitigation strategies identified and documented in the Project Plan. Risks will be regularly reviewed over the implementation period.
100. The Department recognises there is the risk of a spike in citizenship applications if it is known the fee will increase in advance. This would be a risk to the Department's processing capability and capacity, which may lead to a significant backlog of applications needing to be processed outside of timeframe standards. This risk will be mitigated by careful consideration of when and how public messaging will occur.

Monitoring and evaluation

101. In accordance with the Treasury guidelines for cost recovery, the Department has been reviewing cost recovery fees every three years. The Department intends to increase the frequency of the fee reviews to two-yearly to ensure that fee levels more accurately reflect the current environment, including responding to any new savings or increased costs that may have been unknown at the time of the previous forecast. This will allow the Department to more frequently monitor whether the chosen option is working to achieve the long-term objectives of this fee review.
- A two-yearly review will enable the Department to assess changes in the forecast and monitor the objective of recovering the deficit by June 2033, including to identify if the potential work on strengthening citizenship eligibility settings has impacted on expenses. The Department can then determine if further intervention is necessary. Changes to eligibility settings may be in place from 2026 and responding more quickly may assist the Department in minimising any long-term risks from potential expense increases.
102. The Department monitors and reports on its cash flow on a regular monthly basis and publishes information on Memorandum Account annual revenue, expenses and opening and closing balances in its Annual Report.
103. The Department also collects data on application volumes and work on hand to assess its performance against the key metrics set out in the Estimates of Appropriation for Internal Affairs. The metrics for citizenship are as follows:
- 99% of citizenship applications are processed within business timeframe standards;
 - Applications for grant of citizenship to foreign nationals recommended to the Minister within 50 days; and
 - Applications for registration of citizenship by descent processed within 15 days.
104. The Department reports externally on its performance against the standards and measures in its Annual Report which is publicly available. The Department also monitors performance against these standards on a monthly basis.

Review

105. The cost recovery regime for citizenship services will be reviewed every two years as part of baseline activity. The reviews will look at:
- The volume of applications received over the previous two years and the forecast of applications the Department expects to receive by June 2033;

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- The forecast of expenses that the Department expects to incur over the next ten years. These expenses include the direct costs of providing the services such as personnel, accommodation, consumables, and maintenance of the information technology systems necessary for production purposes. Also included in the expense forecast are anticipated costs of information technology development, such as system development or replacement;
- The forecast of revenue the Department expects to receive over the next ten years (since the start of the last review in late 2023/early 2024);
- Forecast of indirect costs such as corporate human resource, property, policy and financial services and the cost of maintaining the desktop information technology infrastructure;
- Any potential policy or legislative changes that could impact on services and the fees for those services; and
- The fees necessary to fund direct and indirect costs.

Annex 1: Status quo fees and the impact over 10 years on the Citizenship Products Memorandum Account

Table 8: Citizenship services and the current prescribed fee in regulations

Service	Current Fee ¹⁵
Citizenship by Grant (adult)	\$560
Citizenship by Grant (child under 16)	\$280
Citizenship by Grant (adult) via section 7(1) Citizenship Western Samoa) Act 1982	\$560
Citizenship by Grant (adult) via section 7A Citizenship Western Samoa) Act 1982	\$243
Citizenship by Grant (child) via section 7(1) Citizenship Western Samoa) Act 1982	\$280
Certificate confirming that an applicant is a NZ citizen if NZ citizenship has previously been granted, registered, or confirmed	\$134
Certificate confirming that an applicant is a NZ citizen if the applicants NZ citizenship has not previously been granted, registered, or confirmed	\$243
Application for a certificate confirming that an applicant is not a NZ citizen	\$134
Application for written confirmation of citizenship status of another person	\$134
Citizenship by Descent (application for registration of persons born outside of NZ if application made in NZ)	\$243
Citizenship by Descent (application for registration of persons born outside of NZ if application made outside of NZ)	\$243
Application for replacement certificate of citizenship	\$134
Application for registration of declaration of renunciation of citizenship.	\$474
Provision of printout or copy of entry in register in respect of a named person	\$32

¹⁵ Fees are shown as including 15% GST to reflect what an individual would pay.

Table 9: Citizenship Memorandum Account balance from 2002/03 – 2025/26 with revenue from fees and expenses for providing services

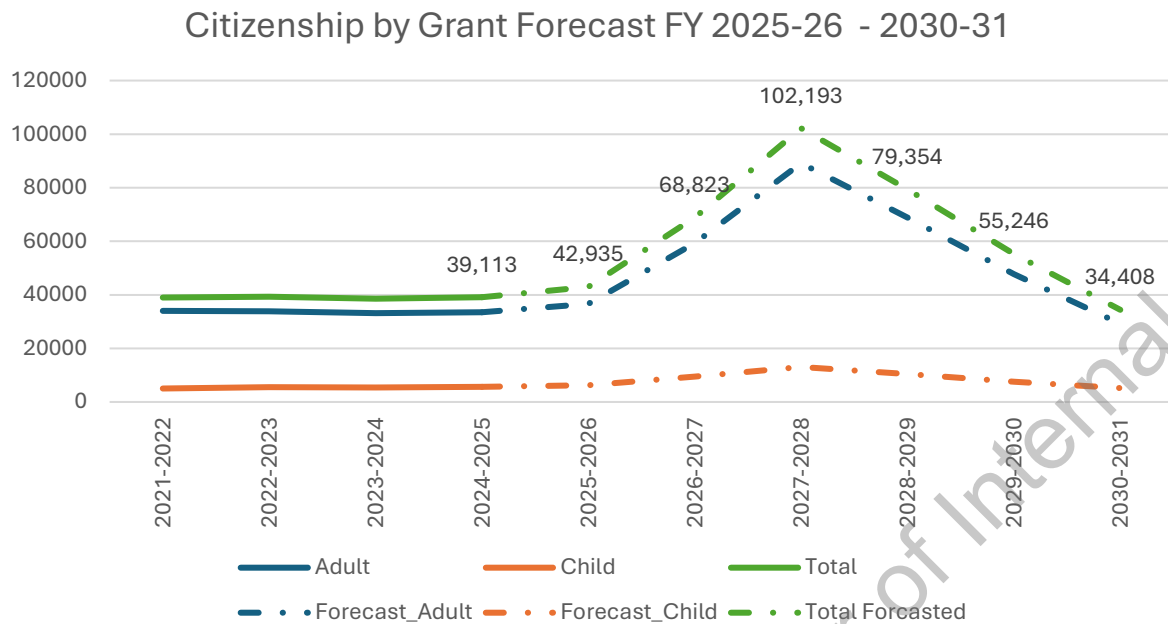
Financial Year	Opening Balance	Revenue	Expenses	Closing Balance
2002-03	(\$1,310,000)	\$6,622,000	(\$8,576,000)	(\$3,264,000)
2003-04	(\$3,264,000)	\$8,787,000	(\$10,126,000)	(\$4,603,000)
2004-05	(\$4,603,000)	\$10,364,000	(\$9,669,000)	(\$3,908,000)
2005-06	(\$3,908,000)	\$11,744,000	(\$10,549,000)	(\$2,713,000)
2006-07	(\$2,713,000)	\$13,983,000	(\$11,434,000)	(\$164,000)
2007-08	(\$164,000)	\$12,451,000	(\$10,604,000)	\$1,683,000
2008-09	\$1,683,000	\$9,922,000	(\$11,161,000)	\$444,000
2009-10	\$444,000	\$7,963,000	(\$9,897,000)	(\$1,490,000)
2010-11	(\$1,490,000)	\$9,223,000	(\$8,048,000)	(\$315,000)
2011-12	(\$315,000)	\$12,337,000	(\$8,796,000)	\$3,226,000
2012-13	\$3,226,000	\$13,095,000	(\$7,578,000)	\$8,743,000
2013-14	\$8,743,000	\$12,644,000	(\$11,597,000)	\$9,790,000
2014-15	\$9,790,000	\$12,020,000	(\$11,418,000)	\$10,392,000
2015-16	\$10,392,000	\$15,332,000	(\$12,429,000)	\$13,295,000
2016-17	\$13,295,000	\$17,449,000	(\$15,056,000)	\$15,688,000
2017-18	\$15,688,000	\$17,679,000	(\$16,601,000)	\$16,766,000
2018-19	\$16,766,000	\$15,437,000	(\$11,924,000)	\$20,279,000
2019-20	\$20,279,000	\$11,972,000	(\$15,826,000)	\$16,425,000
2020-21	\$16,425,000	\$10,423,000	(\$16,955,000)	\$9,893,000
2021-22	\$9,893,000	\$13,936,000	(\$17,896,000)	\$5,933,000
2022-23	\$5,933,000	\$18,857,000	(\$19,358,000)	\$5,432,000
2023-24	\$5,432,000	\$17,745,000	(\$23,459,000)	(\$282,000)
2024-25	(\$282,000)	\$21,296,000	(\$30,254,000)	(\$9,240,000)
2025-26	(\$9,240,000)	\$25,026,000	(\$38,446,000)	(\$22,660,000) ¹⁶

¹⁶ Noting that this number has not yet been subject to audit. The last audited balance was a deficit of (\$9.240 million) as of 30 June 2025 (see row above).

Annex 2: Contributors to forecast expenses and revenue

Table 10: All citizenship services by volume provided

No	Matter	2022-23	2023-24	2024-25
1	Application for grant of citizenship under the Citizenship Act 1977 (other than to child under the age of 16 years)	32,605	31,691	31,032
2	Application for grant of citizenship under section 7 (1) the Citizenship Act 1977 for child under the age of 16 years	4,669	4,512	4,802
3	Application for grant of citizenship under the Citizenship (Western Samoa) Act 1982 (other than to a child under the age of 16 years)	1,762	1,998	2,644
4	Application for grant of citizenship under the Citizenship (Western Samoa) Act 1982 for child under the age of 16 years	275	426	597
5 (a)	Application under section 21(1) of Citizenship Act 1977 for a certificate confirming that an applicant is a New Zealand citizen if the applicant's New Zealand citizenship has previously been granted, registered or confirmed	200	198	217
5 (b)	Application under section 21(1) of Citizenship Act 1977 for a certificate confirming that an applicant is a New Zealand citizen if the applicant's New Zealand citizenship has <u>not</u> previously been granted, registered or confirmed	47	52	31
6	Application under section 21(1) of Citizenship Act 1977 for a certificate confirming that an applicant is <u>not</u> a New Zealand citizen.	1,602	1,247	1,162
6A	Application for written confirmation of the citizenship status of another person (if authorised by regulation 15).	48	52	61
7	Application for registration of persons born outside of New Zealand (if application made in New Zealand (Citizenship by Descent).	5,128	4,539	4,363
8	Application for registration of persons born outside of New Zealand (if application made outside of New Zealand (Citizenship by Descent).	9,012	7,796	7,695
9	Application for replacement certificate of citizenship.	549	802	676
10	Application for registration of declaration of renunciation of New Zealand citizenship.	66	66	105
11	Provision of printout or copy of entry in register in respect of a named person (if authorised by regulation 15).	0	0	0

Figure 1: Citizenship by grant applications 2025/26 – 2030/31

Cost structure for citizenship

The Memorandum Account funds all the expenses associated with citizenship services. For example, the costs for citizenship can be broken down into:

- **Fixed costs** (GST, Depreciation and Capital Charge);
- **Semi variable costs** (accommodation, central ICT costs, telecommunications, production systems, central support costs and other operating costs); and
- **Direct operational costs** (direct resourcing – including personnel, identity support, branch enabling services, and agency costs).

Citizenship by grant cost structure breakdown

The Department's forecasting, based on the Treasury's forecasted CPI increases and expected wage growth, indicates that costs will continue to increase. We have modelled the current costs and proposed costs ^{9(2)(f)(iv)}

^{9(2)(f)(iv)} This is to illustrate the cost structure breakdown comparison between the current fee and the new fee ^{9(2)(f)(iv)} and the associated cost increases for each part of the structure.

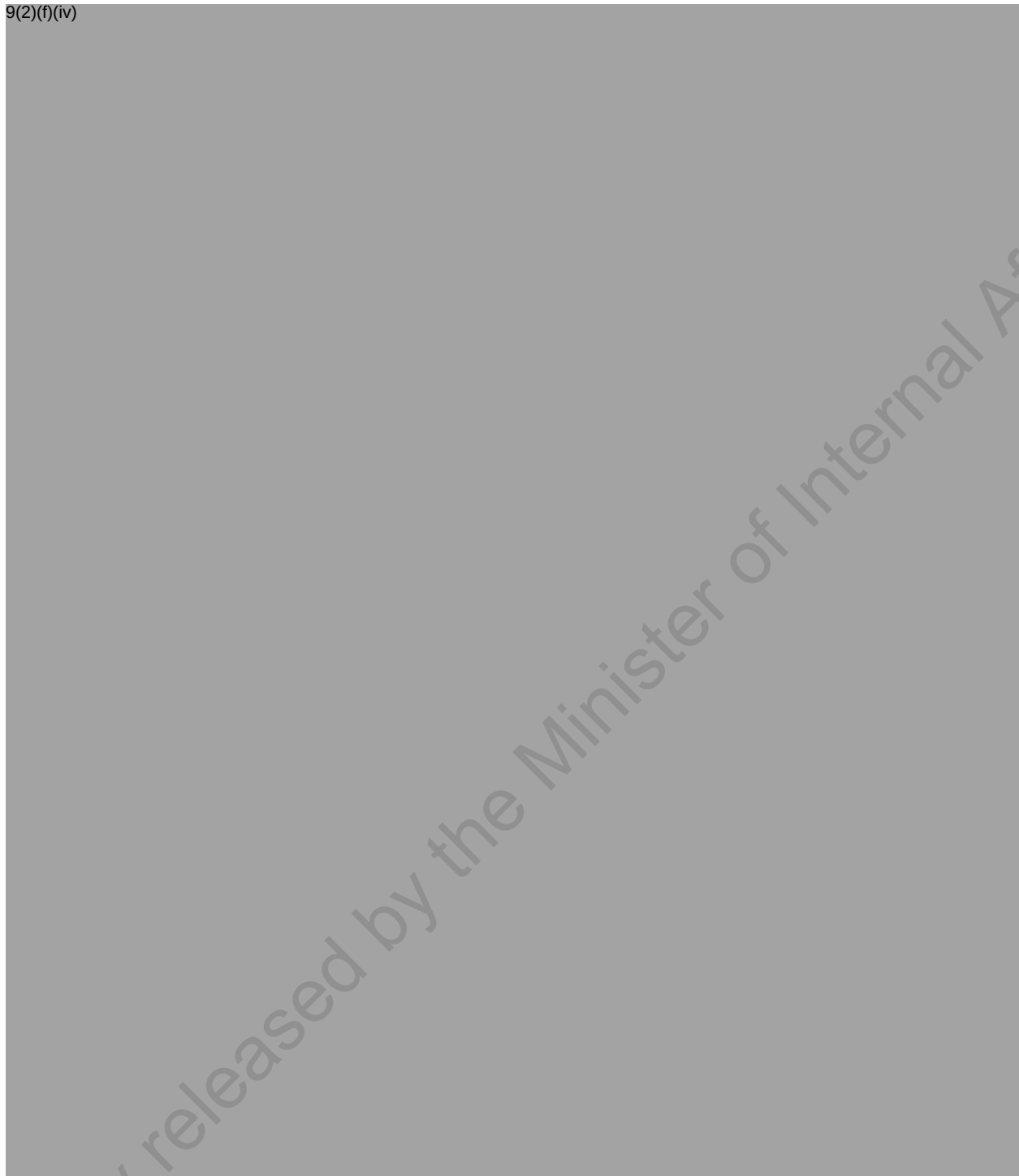
The cost increase percentages in the far right-hand column (highlighted) show the percentage that each overarching part of the cost structure is forecast to increase by in ^{9(2)(f)(iv)} It is also noted that this modelling is done based on the forecasting of expenses for the entire forecast period (i.e. until 2033).

Table 11: 9(2)(f)(iv)

9(2)(f)(iv)

17 9(2)(f)(iv)

9(2)(f)(iv)



Proactively released by the Minister of Internal Affairs

Table 12: Expenses for providing citizenship services broken down (based on Option 3)

Year	Personnel (\$m)	Other Operating (\$m)	Enabling Services (\$m)	Depreciation (\$m)	Capital Charge (\$m)	Total Expenses (\$m)
2025-26	\$16.763	\$6.587	\$9.882	\$3.737	\$1.477	\$38.446
2026-27	\$18.722	\$8.072	\$11.468	\$3.794	\$2.221	\$44.277
2027-28	\$21.270	\$10.342	\$14.392	\$3.821	\$2.490	\$52.315
2028-29	\$13.816	\$8.747	\$8.109	\$3.787	\$1.955	\$36.415
2029-30	\$10.737	\$7.254	\$4.468	\$3.580	\$1.100	\$27.139
2030-31	\$10.446	\$6.162	\$4.310	\$3.046	\$0.573	\$24.538
2031-32	\$10.345	\$6.297	\$4.245	\$2.495	\$0.475	\$23.857
2032-33	\$11.513	\$6.520	\$4.847	\$2.477	\$0.408	\$25.764

Other Operating relates mainly to the IT operational support costs for information technology systems so that they remain highly available for Departmental staff and customers. These costs also included outsourcing costs including Citizenship ceremony and Police vetting fees.

Enabling Services include a range of overhead support costs such as: accommodation costs for the Department's physical office locations, central core and common ICT costs (laptops/desktops, software licenses, electronic document storage infrastructure and costs to deliver ICT security and a variety of other technology support for products and services), central support costs (Human Resources, Finance, Legal, Communications), and Enterprise Portfolio office and the Office of the Chief Executive.

As these costs are generally allocated by FTE, they will flex upwards or downwards dependent on the quantity of FTE which is being engaged at a point in time.

Depreciation and Capital Charge relates mainly to costs associated with the Department's assets and are fixed in nature. This is the cost of writing down the value of these assets over

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their useful lives and a contribution to the cost of capital with regards to funding the implementation projects.

Proactively released by the Minister of Internal Affairs

Annex 3:

9(2)(f)(iv)

9(2)(f)(iv)

Proactively released by the Minister of Internal Affairs

Proactively released by the Minister of Internal Affairs

9(2)(f)(iv)



Proactively released by the Minister of Internal Affairs

Part 2: Stage 1 Cost Recovery Impact Statement - Citizenship by grant eligibility test – cost recovery of test administration and provision

Status quo

The Citizenship Act 1977 (the Act) sets out how people born outside of New Zealand can be granted citizenship

1. The Minister of Internal Affairs has the discretion to grant New Zealand citizenship under the Act. The eligibility requirements for citizenship that the Minister must consider when deciding whether to grant citizenship are set out in sections 8 and 9. Most applications are made under section 8, and to be eligible an applicant must:
 - be over the age of 16;
 - be of full capacity;
 - apply for citizenship in the prescribed manner;
 - satisfy the Minister of Internal Affairs that they:
 - are entitled to be in New Zealand indefinitely;
 - have been present in New Zealand for at least 1,350 days in the last five years, and at least 240 days in each of those years;
 - are of good character;
 - have sufficient knowledge of the English language;
 - intend to continue to reside in New Zealand, or enter into or continue service with the New Zealand Government, an international organisation New Zealand is a member of, or employment or service with a New Zealand person, company, society or other body; and
 - have sufficient knowledge of the responsibilities and privileges attaching to New Zealand citizenship.
2. These eligibility requirements are assessed by the Department. Applications that clearly meet these requirements are placed on a schedule and approved by the Minister as a group. Applications that do not clearly meet one or more requirements can be put to the Minister as a submission for decision, usually under section 9.
3. Section 9 is used for applicants who are under 16 years old, were born overseas to a parent with citizenship by descent, and special cases where there is a public interest in granting citizenship. These applications are decided, supported by advice from the Department, on a case-by-case basis by the Minister. The Minister also has discretion on whether to consider any of the section 8 requirements when making a decision under section 9.

The Minister has informed Cabinet of their intention to introduce a test on the responsibilities and privileges attaching to New Zealand citizenship

4. Currently, people making an application for citizenship by grant sign a declaration that they have sufficient knowledge of the responsibilities and privileges attaching to New Zealand citizenship. The responsibilities and privileges are also listed in the declaration, as well as in other guidance on the citizenship application process, and in material available to new citizens as part of citizenship ceremonies.
5. The responsibilities and privileges currently part of the declaration are listed below.

Table 15: Responsibilities and privileges

Responsibilities	Privileges
• obey and promote the laws of New Zealand; • not act in a way that is against the interests of New Zealand; • register on the electoral roll; • pay tax; and • behave as a responsible New Zealander.	• live in and return to New Zealand indefinitely; • travel overseas on a New Zealand passport; • stand for Parliament or local government; • have full access to education; • have full economic and social rights; • represent New Zealand in some sports; and • ask for consular assistance from a New Zealand official while overseas.

6. Other comparable countries, including Australia, the United Kingdom, Canada and the United States of America all have some form of test to determine applicants' knowledge of their new country. These tests vary in scope and complexity.
7. The Minister of Internal Affairs has directed the Department to change how this eligibility requirement is determined, from making a declaration as takes place currently, to a test of this knowledge.
8. The change is intended to provide greater assurance to the Minister of Internal Affairs that applicants are meeting the responsibilities and privileges requirement by demonstrating an active understanding by completing the test, compared to the current declaration requirement.
9. As this is an operational change to how an existing requirement under the Act is assessed, no legislative or regulatory change is required to put in place the test as a requirement.
10. Most applicants for citizenship by grant will be required to complete the test. The test will consist of 20 multi-choice questions on the responsibilities and privileges, randomly selected from a broader pool of questions. Applicants will have up to 45 minutes to complete the test, and must answer at least 15 questions (75%) correct to pass the test.
11. Certain application types are out of scope of the test, while some applicants will be, or can apply to be, exempt from the test requirement. In most cases, exempt applicants would complete the existing declaration. These exemptions are detailed in **Annex 4**.

12. Applicants will be able to attempt the test up to three times before a 30-working day waiting period would apply. After three subsequent attempts, if the applicant continued not to pass the test, they would be given the option to withdraw their application and receive a partial refund of their general application fee, or choose to have their application put to the Minister as a submission. This process aligns with existing procedures when an applicant does not clearly meet one of the eligibility requirements in the Act.
13. In April 2026, the Minister of Internal Affairs informed Cabinet of this change and also sought agreement for the Department to meet the initial costs to implement the test from the Citizenship Products Memorandum account (the Memorandum account). These costs include procurement of a test provider, internal system upgrades to manage test processing, and associated staffing.
14. Cabinet also noted that the Minister of Internal Affairs would report back to Cabinet in June 2026 to seek in-principle decisions on the approach to recover costs for the test, with the view to this being a new fee charged per test attempt. These decisions will also coincide with the planned general citizenship products and services fees review, which will consider the level of existing citizenship fees.
15. Decisions on fees were not sought when the Minister informed Cabinet of the intention to introduce the test. While procurement of a third-party test provider was identified as the most likely viable option to administer the test, further information is required from prospective vendors to inform willingness in the market to provide this service, and confirm costs. The test requirement is expected to take effect from late-2027, with the final date to be confirmed once a provider is in place.

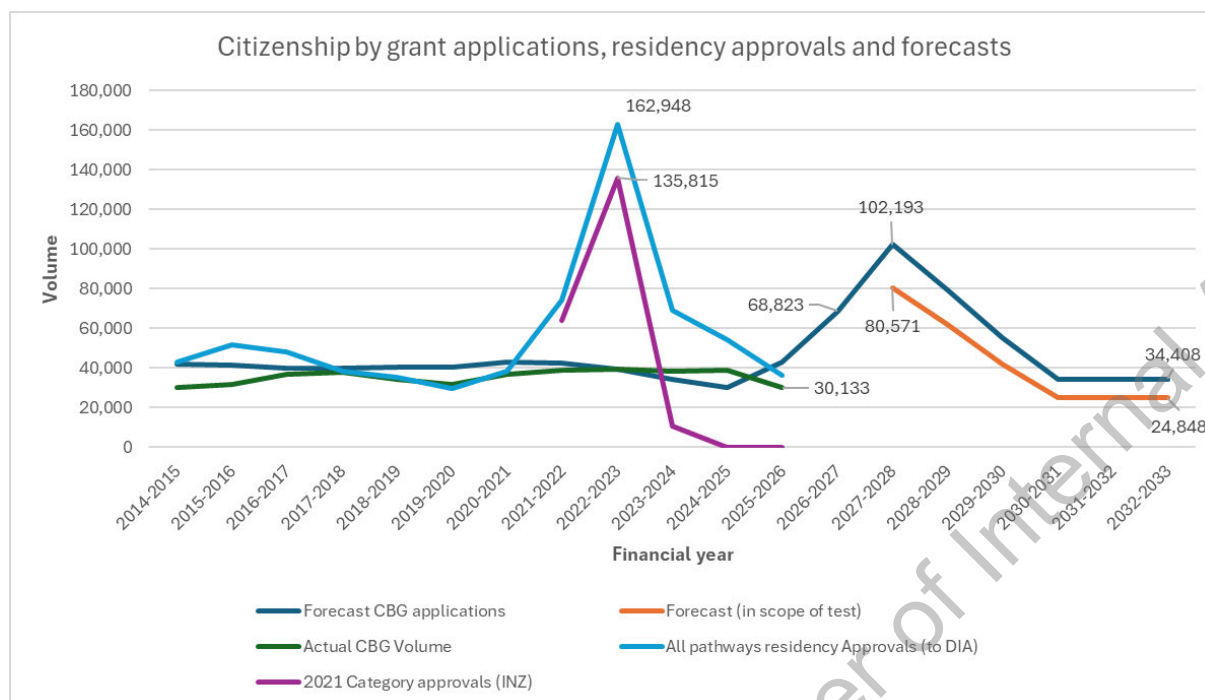
The Act provides statutory authority to recover the costs of providing citizenship products and services

16. Statutory authority to cost recover is provided in the Act, via the regulation-making power in section 28(1)(i) to prescribe fees for any application. The Citizenship Regulations 2002 set out the application process, and the fees to be charged for specific citizenship products and services.
17. Citizenship fees provide the sole revenue for the Citizenship Products and Services Memorandum Account (Memorandum Account). All citizenship functions are cost recovered through citizenship fees.

Policy Rationale: Why a user charge? And what type is most appropriate?

18. The intention of changing the declaration requirement to a test is to strengthen how the existing eligibility requirement around knowledge of the responsibilities and privileges is met. Requiring applicants to demonstrate an active understanding will strengthen the Minister's satisfaction of this requirement.
19. Cost recovery is appropriate for this activity because citizenship is a private good – the benefits of citizenship largely accrue to applicants. The Act puts the onus on applicants to satisfy the Minister they meet the eligibility requirements. This has been the basis for the fees approach for the broader citizenship regime, which is fully cost recovered from fees. As the test will form part of the existing citizenship applications process, full cost recovery is also proposed here for this reason.

20. A standalone fee per test attempt is being progressed as it would support the intention to provide a clear incentive to applicants to prepare for and pass in as few attempts as possible.
21. Another option considered was to build the cost of the test into the existing general fee for citizenship applications. This option was not taken forward by the Minister. Cost recovering the test through the general citizenship fee would likely result in a higher average cost, as reattempts would have to be factored into the cost all applicants would have to pay, regardless of how many test attempts an applicant takes to pass.
22. There is not expected to be wide variation in the costs to deliver tests that would warrant a more flexible fee structure, such as an hourly charge. The main variations we would expect to see would be in delivering tests in regional areas or providing additional accommodations and support for some applicants for accessibility. To ensure equity in the process, we do not consider that varying the fee to account for this would be appropriate.
23. Alternative delivery options were considered as part of advice to the Minister of Internal Affairs in February 2026. The Department assessed in-house provision of the test, contracting the test process to a third-party provider (or providers), and a combination of these two approaches. An in-person testing model was ultimately chosen over other approaches, such as hosting the test online, as there would be a limited ability to verify the identity of the test taker and ensure test were being completed under certain conditions (for example, not receiving external coaching or referring to reference material).
24. In house delivery of the test, either in full or in part, was estimated to involve higher costs, greater complexity and result in less accessibility for applicants. This is due to the Department's limited footprint outside of Auckland, Wellington and Christchurch, lack of existing suitable premises to host tests in these areas, and the need to significantly increase internal staffing to meet expected demand.
25. To deliver in house tests, the Department would likely need to hire suitable venues and have staff travel around the country to administer tests. It is assumed that it is more likely that external providers will be better placed to offer services in more areas, and on a regular basis.
26. Cost recovery charges will be paid by citizenship by grant applicants that are required to complete the test. The Department prepares forecasts of expected citizenship by grant applicants, based on data on the number of people granted residence class visas by Immigration New Zealand. The average conversion rate from a residence class visa to citizenship is around 65%. Conversion rates vary heavily by nationality for a range of reasons including:
- Settings in a person's home country, including restrictions on holding dual citizenship that may discourage people from taking up New Zealand citizenship;
 - Perceived value in obtaining citizenship over a residence class visa; and
 - Other personal reasons.
27. The Department expects a significant increase in citizenship applications over the next several years from the 2021 one-off residence pathway. The graph below shows actual and forecast applications for citizenship by grant, data on the numbers of people granted a residence class visa (including specifically through the 2021 one-off pathway), and the number of forecast applicants in scope of the test.

Figure 3: Citizenship by grant applications, residency approvals and forecasts

High level cost recovery model

28. The cost recovery model is likely to operate as follows:

- A person would apply for citizenship by grant and pay the existing application fee. They will also sign the existing declaration on the responsibilities and privileges;
- A LISO would assess the application, including whether the applicant clearly meets the eligibility requirements of section 8. As part of the eligibility check process, the LISO would determine whether the application was in scope of the test, and handle any requests for an exemption;
- If the application is deemed to be in scope of the test, the applicant would then be required to pay a separate fee for the test attempt, which would then be arranged with the test provider. If the application is not in scope of the test, this will be noted on the application and marked as having met the requirement through the declaration;
- Once the applicant sat the test, their result would be provided back to the Department:
 - In the event of a pass, a LISO would confirm that the applicant clearly meets the responsibilities and privileges requirement and their application would continue to be processed;
 - In the event the applicant did not pass, they would be given the option to reattempt the test up until the point the waiting period applied or the maximum number of attempts had been reached. A new test fee would be payable for each attempt.

29. In the April 2026 Cabinet paper, it was estimated that the total cost to deliver the test, apportioned across forecast citizenship by grant applications, was ⁹⁽²⁾⁽ⁱ⁾ As these costs

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had not been tested with the market, agreement was not sought to the fee approach or fee levels.

30. The cost estimate included:

- Initial implementation costs to put in place the necessary systems and processes to handle the test requirement within DIA's existing application processing systems, procure a provider to administer tests, produce supporting information and material for applicants, and recruit and train staff;
- Direct and indirect costs to the Department to administer the test requirement, primarily in additional staffing and overheads to manage the increased processing workload, including if the imposition of the test results in more applications put to the Minister as individual submissions; and
- Indirect costs associated with contracting an external provider to complete test delivery.

31. The main output of the activity will be a confirmation of whether an applicant passes or does not pass the test. In the event of a pass, this information will be used to assess whether the applicant meets this eligibility requirement and allow their application to continue to be progressed. In the event of not passing, other steps in the test process would be triggered, such as reattempts, the waiting period and the option for the applicant to withdraw and proceed as a submission. Further detail setting out the likely processes and pathways for the test are attached as **Annex 5**.

32. 9(2)(f)(iv), 9(2)(g)(i), 9(2)(j)



33. The estimated cost drivers behind the charge levels are:

- 9(2)(f)(iv), 9(2)(g)(i), 9(2)(j)

-

-

-

9(2)(f)(iv), 9(2)(g)(i), 9(2)(j)



34. The initial charge levels are highly dependent on the forecasts for citizenship by grant applicants. This is because the per test cost has been calculated by dividing the total estimated costs of provisioning the test across the forecast number of applications each year out to 2033 (the forecast period for bringing the Memorandum account to neutral status). Application volumes have also broadly influenced direct costs, as much of this relates to additional staff time to process the test component of applications.
35. The current estimates also show revenue broadly matching expenses. There are some limitations of these estimates. They do not account for reattempts, which would involve an additional external cost to sit a new test, plus some additional internal costs in processing time for each attempt.

9(2)(f)(iv), 9(2)(g)(i), 9(2)(j)



Assumptions and uncertainties

36. The extent to which these costs materialise will depend on assumptions around:
- how many people ultimately apply for citizenship by grant, influenced heavily by the 2021 one off residence pathway; and
 - the average passing rate, including how many times people who do not pass reattempt, and how many applications who continue to not pass request their applications be considered as submissions.

Implementing the test may influence whether people apply for citizenship, but this is uncertain

37. Some people may choose to defer applying for citizenship or remain on a residence class visa indefinitely as a result of the test requirement coming into effect. The extent to which this will occur is uncertain as people choose to apply, or not apply, for citizenship for a range of reasons not visible to the Department, including personal reasons.
38. Fluctuations in demand for citizenship services, either as a result of test requirement, or if actual applications depart from forecasts for other reasons, will influence revenue and how fixed costs are spread across application volumes. As most of the expected revenue is volume-driven, reductions in demand for tests should broadly correspond to lower costs. Flexibility in volumes will be a consideration when procuring a test provider. A post-implementation review is planned one year following implementation, where this can be assessed.

Forecast applications in the coming years are heavily influenced by the one off 2021 residence class visa pathway

39. Forecast applications for citizenship by grant are estimated based on data provided by Immigration New Zealand each month on the number of people granted a residence class visa. Once granted a visa, it takes around five years before a person meets the presence requirement under the Citizenship Act. The likelihood of whether a person ultimately applies for citizenship, and how long it takes them to do so once meeting presence, is then estimated. This varies based on a range of factors, including an applicant's country of origin. On average, around 65% of people granted a residence class visa go on to apply for citizenship after they meet the presence requirement.
40. There is some uncertainty with forecast applications in the coming years due to the one-off residence pathway that was opened in 2021. Around 200,000 people were granted a residence class visa under this pathway. The first of these visa holders will meet the presence requirement in late-2026, and will contribute to a total forecast peak of 102,000 applications in 2027/2028, well above historical averages.
41. The 2021 pathway rules were very different to other residence class visa types. Applicants were not subject to the same employment, language and other requirements. This means that it is uncertain whether they will apply for citizenship at the same rates as other visa types, which informs the Department's forecasting. Applicants may have had less established longer-term connections to New Zealand before becoming eligible under the 2021 pathway and with recent economic conditions, some of these applicants may have since left the country.
42. Immigration New Zealand is currently analysing data it holds on residence class visa holders, including border movements, to determine whether this is likely to significantly affect our forecasts. However, initial data provided by Immigration New Zealand on the total numbers of 2021 pathway visa holders and residence class visa holders outside of the country as of 28 April 2026 did not suggest any significant differences between these visa groups.
43. If people who gained residency through the 2021 pathway do not apply for citizenship at the same average rate as other residence class visa types, either because they have left the country or for other reasons, there would be less demand on citizenship services. For the test fee, this is expected to result in:
 - upfront implementation and other fixed costs, namely staffing resource, being spread across a lower number of applications. This would put increasing pressure

on the charge level, or would put deficit pressure on the Memorandum Account if not fully recovered through the fee; and

- fewer tests being administered, lowering the total expected revenue from testing. This is expected to have a limited effect on the estimated charge level, as much of this is assumed to be driven by volume demand. However, it could result in higher per test costs if a provider were able to achieve economies of scale with a higher number of applicants to test.

Passing rates will also influence costs, but similar tests in other countries have high passing rates

44. 6(b)(i)

45. In line with test settings in other countries, the Department is planning supporting material to help applicants prepare for the test ahead of time, which should support passing rates. Accessibility measures will also be explored through the procurement process to select a test provider. This could include offering a separate testing environment, readers and other accommodations for applicants with special needs.

An increase in submissions could drive higher costs, but this is uncertain

46. Another factor that could influence cost estimates is the number of applications that are progressed as submissions if an applicant continues to not pass the test and wishes to have their application progressed this way. As the decision on whether to grant citizenship rests with the Minister, the Department cannot refuse applications under its delegated authority for processing applications. The Act also provides discretion for the Minister to interpret how the responsibilities and privileges requirement under section 8 is met, and grant citizenship in special cases under section 9. This means that not passing the test alone cannot determine the outcome of a citizenship application.
47. The estimates make some provision for an increased number of submissions as part of the direct costs to the Department in administration, but this will ultimately depend on how many applicants opt to do this. This will continue to be monitored as part of ongoing implementation of the test.

Consultation

48. Agency consultation was completed on the draft Cabinet material on the intention to introduce the test. This material included information about the intended approach to charge a separate per attempt fee.
49. The main feedback on the per attempt fee was the impact the increase in the total cost of obtaining citizenship would have on people seeking citizenship. Some feedback suggested creating provision to waive the test fee for certain applicants (for example, in cases of financial hardship), apply different rates for affordability reasons and provide for multiple attempts from a single fee.
50. These comments were not incorporated, as the policy intention is to provide a clear incentive through the fee approach to encourage applicants to adequately prepare for the

test. In addition, introducing different fee rates, waivers or other differences would introduce cross-subsidisation among other applicants. Some options, such as waiving the fee, are not provided for in the current legislation.

51. To support further information on the external cost components of the test, a request for information process is currently underway. This followed Cabinet consideration of the Minister's intention to introduce the test and these details being publicly announced. At the time of writing, the RFI is ongoing and this information will inform the next phase of the cost recovery development process.
52. Due to the timeframes between the intention to introduce the test being considered by Cabinet, and the subsequent decisions on the approach to the test fee, there has not been an opportunity to conduct wider consultation. This is a limitation on the analysis.

Implementation and next steps

53. Following Cabinet confirming in-principle agreement to the fee approach for the test, the Department will proceed with a procurement process to tender for a supplier to administer tests.
54. Further decisions on fee levels for the test will be sought before a test provider is confirmed. The Department will explore opportunities for consultation on the expected fee levels as part of the ongoing cost recovery process. After initial fee levels are set, review of the fee levels will be incorporated into the general fees review in subsequent years.
55. In the Cabinet paper on the Minister's intention to introduce the test, it was noted that the operational settings for the test would be reviewed one year after the test has been in effect.

Annex 4: Scope and Exemption categories

56. The table below sets out which citizenship pathways are in scope of the test.

Table 18: In and out of scope citizenship pathways

Citizenship by grant type	Description	Subject to the test
Standard citizenship by grant (section 8)	The most common type of grant. Includes applicants: 16 years and older; - applying for citizenship for the first time; and - who already have citizenship by descent but wish to convert this to citizenship by grant.¹⁸	Yes (unless exemption applies)
Citizenship by grant in special cases (section 9)	Includes applicants: - under 16 years old; and - that do not fulfil one or more of the section 8 requirements for standard citizenship by grant who are referred to the Minister, who may decide to authorise citizenship by grant.	Yes (unless exemption applies)
Citizenship by grant as of right	Includes applicants: - born before 1978, if at the time of their birth, their mother was a New Zealand citizen (other than by descent); or - that qualify for citizenship under the Citizenship (Western Samoa) Act 1982.¹⁹	No

57. The table below sets out which applicants will be exempt from the test, and the rationale behind each exemption.

Table 19: Exemption categories and rationale

Exemption category	Rationale
Below 16 years old	While other countries require applicants to take their tests if they are 18 years old and over, all applicants for New Zealand citizenship by grant must fulfil the requirements of section 8 of the Act from the age of 16. Applying the test requirements to applicants aged 16 years old and over means test settings will align with other requirements and avoid additional application processing complexity and time.

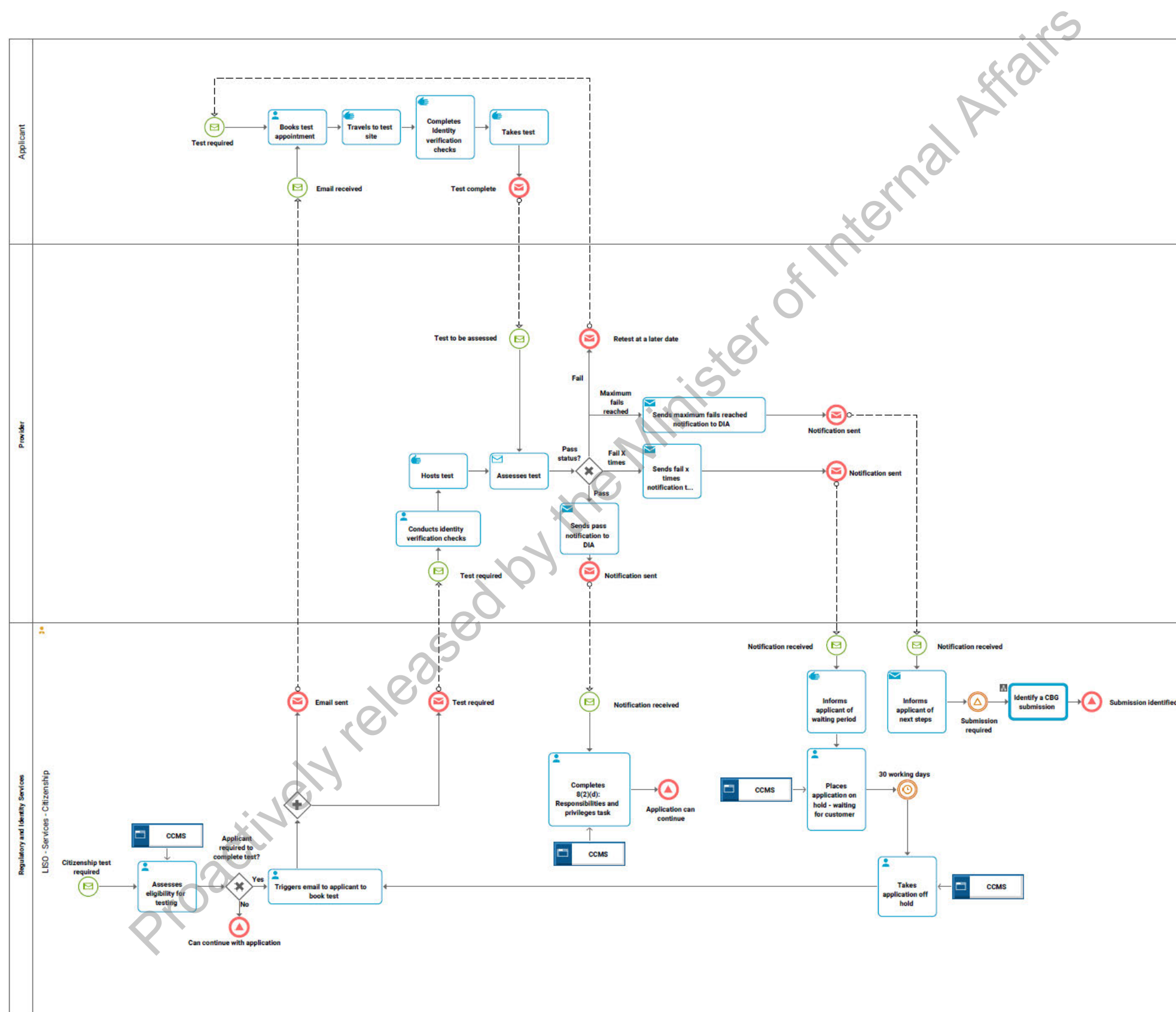
¹⁸ Citizenship obtained through descent has limitations applying to a person's future descendants, so some opt to convert this to citizenship by grant.

¹⁹ This includes applicants who qualify under section 7A of the Citizenship (Western Samoa) Act 1982, inserted by the Citizenship (Western Samoa) (Restoration) Amendment Act 2024.

Exemption category	Rationale
Over 65 years old	This is the same upper age limit as the United Kingdom's test. Setting the maximum age at 65 years old will also align with the New Zealand Superannuation entitlement age. It is reasonable to expect applicants under 65, who are more likely to still be participating in the labour market, to be able to complete the test. The exemption is proposed in good faith and to promote equality and avoid undue disadvantage for this group of applicants. Applicants above this age may be more likely to have health problems that are not necessarily captured by the general medical condition exemption, and may result in the applicant being disadvantaged if they are required to do the test. For example, health conditions that cause memory loss, or that make it challenging to require travel to a testing location. The benefit of having some over the age of 65 complete the test is outweighed by the cost of processing the number of exemption requests we expect we will receive from this group for the health reasons outlined.
With an existing English language waiver	Applicants for citizenship must already demonstrate English language proficiency, but there are existing waiver provisions under section 8(8) of the Act at the discretion of the Minister. Applicants with this waiver would be automatically exempt from needing to complete the test, which will be in English.
Without full capacity	Applicants who do not have full capacity and have another person apply for citizenship on their behalf would be exempt from the test.
Medical condition	Applicants with a severe medical condition lasting or likely to last for one year or more, such as a physical disability or cognitive condition that would prevent them from completing the test, will be able to provide evidence from a medical or nurse practitioner for consideration of an exemption.
Unique personal circumstances	A further exemption category will be available for applicants with low levels of English language literacy, and where limited, unique and exceptional compounding factors may prevent someone from completing the test. This is based on similar requirements in place for the Canadian citizenship test. These circumstances could include trauma due to war, torture or time spent in a refugee camp or similar situations, low levels of literacy in an applicant's first language and other situations.
Descent to grant	People who have a right to New Zealand citizenship by descent can apply to change this to citizenship by grant. The only functional difference between these citizenship types is the ability to pass citizenship on to their descendants born outside of New Zealand. As these applicants are already New Zealand citizens, they would be exempt from the test when applying to change to grant. The Minister can be more readily satisfied that these applicants already understand the responsibilities and privileges of being a New Zealand citizen.

Exemption category	Rationale
Overseas applicants that continue to meet presence requirements	Section 8 requirements typically require an applicant to be in New Zealand, and intend to continue to reside in New Zealand to be eligible for citizenship by grant. However, people applying from Niue, the Cook Islands and Tokelau, and people who are on Crown Service, continue to meet presence requirements under the Act. These applicants make up a very small (less than one per cent) of annual application volumes. These applicants would be exempt from the test, due to the expected high cost of providing an option outside of New Zealand for these limited applications.

Annex 5: Citizenship test process map



Proactively released by the Minister of Internal Affairs