

2022

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

**EDUCATION AND OTHER LEGISLATION AMENDMENT (ABOLISHING
INDEXATION AND RAISING THE MINIMUM REPAYMENT INCOME FOR
EDUCATION AND TRAINING LOANS) BILL 2022**

EXPLANATORY MEMORANDUM

(Circulated by authority of Senator Faruqi)

EDUCATION AND OTHER LEGISLATION AMENDMENT (ABOLISHING INDEXATION AND RAISING THE MINIMUM REPAYMENT INCOME FOR EDUCATION AND TRAINING LOANS) BILL 2022

OUTLINE

The purpose of the *Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022* (**the Bill**) is to improve the fairness of various tertiary and vocational education loan schemes by:

- raising the minimum repayment threshold for these loans and tying it to the median wage; and
- removing the indexation of these loans.

The loan schemes to which the Bill applies are as follows:

- HELP debts; and
- Student start-up loans and student financial supplement scheme; and
- ABSTUDY student start-up loans and financial supplement for tertiary students; and
- Trade support loans; and
- VET student loans.

The minimum repayment threshold for these loans will be raised and tied to the median wage from 1 July 2023.

Indexation of these loans will be removed from 1 July 2022.

NOTES ON CLAUSES

Clause 1: Short Title

1. Clause 1 is a formal provision specifying the short title of the Bill.

Clause 2: Commencement

2. Clause 2 provides that the Bill will commence the day after this Act receives Royal Assent.
3. The amendments relating to indexation in Schedule 1 will apply from the 2022-23 financial year, and the amendments relating to the minimum repayment income in Schedule 2 to apply from the 2023-24 income year.

Clause 3 – Schedules

4. Clause 3 provides that legislation specified in a Schedule to this Act is amended or repealed as is set out in the applicable items in the Schedule. It also provides that any other item in a Schedule to this Act has effect according to its terms.

Schedule 1—Abolishing indexation

Part 1- HELP debts

Higher Education Support Act 2003

Items 1-8 - Section 129-1, Paragraph 140-1(2)(a), Subsection 140-5(1), Subsection 140-5(1) (example), Sections 140-10, 140-20 and 142-10, Section 198-1 (notes 1 and 2), Section 206-1 (table item 2AA), Subclause 1(1) of Schedule 1 (definition of *HELP debt indexation factor*)

5. These items collectively remove indexation of HELP loans, and VET loans incurred prior to 1 July 2019.

Item 9 – Application of amendments

6. This item provides that the removal of indexation of HELP and VET loans applies to the financial year commencing on 1 July 2022 and all future financial years.

Part 2 - Student start-up loans and student financial supplement scheme

Social Security Act 1991

Items 10, 12 & 13 - Section 19AA (definition of *HELP debt indexation factor*), Subsection 1061ZVEB(1), Subsection 1061ZX(4)

7. These items remove indexation of student start-up loans.

Item 11 - (Section 1061ZVEA (paragraph (a) of the paragraph beginning “In stage 1”))

8. Item 11 is a consequential amendment relating to removing indexation of the student financial supplement scheme

Items 14–19 - Subsection 1061ZX(6), Section 1061ZZEP, Subsection 1061ZZER(2), Subsection 1061ZZER(3), Section 1061ZZET, Subsection 1061ZZEU(3)

9. These items remove indexation of the student financial supplement scheme.

Item 20 - Application of Amendments

10. This item provides that the removal of indexation of student start-up loans and the student financial supplement scheme applies to the financial year commencing on 1 July 2022 and all future financial years

Part 3 - ABSTUDY student start-up loans and financial supplement for tertiary students

Student Assistance Act 1973

Items 21-23 - Section 3, Section 9A, Subsection 9B(1)

11. These items remove indexation of ABSTUDY student start-up loans.

Items 24-31 - Subsection 12A(4), Subsection 12A(5), Section 12W, Subsection 12X(3), Subsection 12ZF(1), Subsection 12ZF(3), Subsection 12ZF(6), (7), (7A) and (7B)

12. These items remove indexation of the financial supplement for tertiary students, which is the equivalent of the student financial supplement scheme for tertiary students eligible for ABSTUDY.

Item 32 - Application of amendments

13. These items provide that that the removal of indexation of ABSTUDY student start-up loans and the financial supplement for tertiary students will apply to the financial year commencing on 1 July 2022 and apply to all future financial years.

Part 4 - Trade support loans

Trade Support Loans Act 2014

Items 33-39 - Section 5 (definition of *index number* and *TSL debt indexation factor*), Section 30 (paragraph (a) of the paragraph beginning “In stage 1”), Subsection 31(1), Sections 32, 33 and 34, Subsection 99(5) (note), After section 99

14. These items remove indexation of trade support loans.

Item 40 - Application of amendments

15. This item provides that that the removal of indexation of trade support loans will apply to the financial year commencing on 1 July 2022 and apply to all future financial years.

Part 5 - VET student loans

VET Student Loans Act 2016

Items 41-43 - Section 23CA (paragraph (a) of the paragraph beginning “In stage 1”), Subsection 23CB(1), Subsection 23CB(1) (example)

16. These items remove indexation of VET student loans.

Item 44 - Application of amendments

17. This item provides that the removal of indexation of VET student loans will apply to the financial year commencing on 1 July 2022 and apply to all future financial years.

Schedule 2—Raising minimum repayment income and repayment amount

Higher Education Support Act 2003

Item 1 - Section 154-10

18. Item 1 substitutes section 154-10 of the *Higher Education Support Act 2003* to define the ‘minimum repayment income’ by reference to the median wage.

19. This item inserts a new section 154-11 which defines ‘median wage’ as 52 times the total weekly earnings amount published by the ABS in its ‘Employee earnings’ statistics for the most recent month of August before the start of the income year. The section also provides that, if the ABS has not published the data for the August reference period by 31 March of the following year, the Minister may determine an amount to be used for the purposes of calculating the median wage but must make a genuine attempt to determine that amount accurately and provide a statement of reasons explaining their calculation. This is to ensure that the median wage can still be calculated for an income year if the ABS data is not published in time.

Items 2-5 - Section 154-20 (table), Section 154-25, Paragraph 154-30(b), Subclause 1(1) of Schedule 1

20. These items have the effect of raising the minimum repayment income and amending the percentage of income a person is liable to repay the Commonwealth for education and training loans.

Social Security Act 1991

Items 6 & 7 - Subsection 19AB(2) (definition of *minimum repayment income*) and Section 1061ZZFB

21. These items make amendments to the *Social Security Act 1991* which are consequential on the amendment made by item 1 of this Schedule to section 154-10 of the *Higher Education Support Act 2003*.

Student Assistance Act 1973

Items 8 & 9 - Subsection 3(1) (definition of *minimum repayment income*), Section 12ZLA

22. These items make amendments to the *Student Assistance Act 1973* which are consequential on the amendment made by item 1 of this Schedule to section 154-10 of the *Higher Education Support Act 2003*.

Item 10 - Application of amendments

23. This item provides that the changes to the minimum repayment income and repayment amounts apply to the 2023-24 income year and all future income years.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022

This Bill is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Bill

The purpose of the *Education and Other Legislation Amendment (Abolishing Indexation and Raising the Minimum Repayment Income for Education and Training Loans) Bill 2022 (the Bill)* is to improve the fairness of various tertiary and vocational education loan schemes by:

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The loan schemes to which the Bill applies are as follows:

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- Trade support loans; and
- VET student loans.

Human rights implications

This Bill does not engage any of the applicable rights or freedoms.

Conclusion

This Bill is compatible with human rights as it does not raise any human rights issues.

Senator Mehreen Faruqi