

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2003-2004 BUDGET ESTIMATES HEARING

Outcome: 2

Output Group: 2.5 – Assistance for post school students including those with special needs

DEST Question No. E088_04

Senator Carr asked on 5 June 2003

Question:

Can you confirm that:

- a) The new FEE-HELP will absorb the existing PELS scheme for new postgraduate students from 2005;
- b) The new loan scheme, unlike PELS, features a real rate of interest of 3.5% on top of CPI;
- c) Payments under the new loan scheme, unlike PELS, will not be tax deductible as self-education expenses?

Answer:

Differences between PELS and FEE-HELP

- a) Yes. From 2005, the new Fee-Paying Higher Education Loan Programme (FEE-HELP) will subsume the Postgraduate Education Loan Scheme (PELS) for new students commencing in 2005. PELS students who commenced prior to 2005, however, will continue to have access to the current PELS arrangements until the end of 2008, or until they complete their current course, complete an award at the same level as their current course, or discontinue their enrolment without formally deferring, whichever comes first.
- b) Yes. FEE-HELP loans will attract a real rate of interest of 3.5% on top of indexation by the Consumer Price Index (CPI) for the first ten years of the loan, after which time the debt will be indexed to the CPI, but will otherwise be interest free.
- c) As is currently the case with PELS, students who choose to take out a FEE-HELP loan for their tuition fees may be entitled to a tax deduction for those tuition fees, including that part that the Commonwealth pays on their behalf, if there is a direct connection between their self-education and their work activities at the time the expense is incurred.

Repayments made towards a FEE-HELP loan once the debt is incurred are not tax deductible. This is also currently the case with PELS.