

1994

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

**STUDENT ASSISTANCE (BUDGET MATTERS) AMENDMENT
BILL 1994**

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for
Schools, Vocational Education and Training,
the Honourable Ross Free MP)

54567 Cat. No. 94 4631 4



9 780644 319980

General Outline

The *Student Assistance Act 1973* ("the Act") provides the legislative basis for the AUSTUDY scheme.

Under the AUSTUDY/ABSTUDY Supplement Scheme, voluntary student loans are available to tertiary students. Tertiary students may trade in part or all of their entitlement to AUSTUDY or ABSTUDY benefits for an interest-free loan of twice the amount of benefits traded. Supplement loans are also available to students who do not qualify for AUSTUDY or ABSTUDY because of the parental income test, provided that parental income is less than a certain amount (currently \$50,000).

This Bill will amend the Student Assistance Act to implement the changes announced by the Government in the 1994 Budget in relation to the AUSTUDY/ABSTUDY Supplement. These amendments will:

- simplify the rules relating to the repayment of benefits, making it easier for a student who has already received AUSTUDY or ABSTUDY benefits during the year to repay all or part of the benefits to maximise the amount of his or her Supplement loan; and
- make Supplement loans available to students who do not qualify for AUSTUDY or ABSTUDY because of the spouse income test, provided that the spouse's income is less than a certain amount (to be \$35,000 in 1995).

Commencement

The Bill will commence on Royal Assent. The amendments will take effect from 1 January 1995.

Financial Impact

The simplification of the rules relating to the repayment of benefits in order to maximise the amount of the Supplement loan for which a student is eligible will generate savings of about \$6m a year.

Extending eligibility for financial supplement to students who are not eligible for benefits because of the spouse income test is expected to cost \$0.21m in 1994-95 and about \$0.4m in subsequent years.

Notes on Clauses

Clause 1: Short title, etc.

The short title of the Act will be the *Student Assistance (Budget Matters) Amendment Act 1994*.

The *Student Assistance Act 1973*, the Act which the Bill proposes to amend, is referred to as the "Principal Act" in the Bill.

Clause 2: Commencement

The Bill will commence on receiving Royal Assent.

Clause 3: Amendments

The amendments to the *Student Assistance Act 1973* are set out in the Schedule to the Bill.

SCHEDULE

Subsection 3(1)

Section 3(1) of the Student Assistance Act defines various terms used in the Act. The section will be amended to include a definition of "adjusted spouse income". This term is used in the proposed new section 12C(1)(b)(iii) and is discussed below in the context of this amendment.

Subsection 7(8) and section 7

Under the AUSTUDY/ABSTUDY Supplement Scheme, tertiary students may trade in part or all of their entitlement to AUSTUDY or ABSTUDY benefits for an interest-free loan of twice the amount of benefits traded. If a student who has received AUSTUDY or ABSTUDY benefits decides to apply for a Supplement loan, the student may repay all or part of the benefits to maximise the amount of the loan. The maximum amount of the loan is determined by the amount of benefits for which the student is eligible but has not received or, if the benefits have been received, repaid.

At present, limitations apply to the repayment of AUSTUDY or ABSTUDY benefits. Benefits received during the periods from 1 January to 31 May or from 1 July to 30 September must be repaid by the end of the relevant period, under subsection 7(8).

The amendments will remove these limitations to make it easier for students to repay their AUSTUDY or ABSTUDY benefits and increase the amount of Supplement loan that they can borrow. The amendment to subsection 7(8) will confine the operation of the section to the repayment of benefits received before 1995. The deadlines for repaying benefits set out in subsection 7(8) will not apply after 31 December 1994. The new subsection 7(9) will provide that, from 1 January 1995, a person may repay benefits at any time during the year.

Paragraph 12C(1)(b)

At present, Supplement loans are available to tertiary students who are entitled to AUSTUDY or ABSTUDY benefits. Supplement loans are also available to students who do not qualify because of the parental income test if parental income is less than an amount (currently \$50,000) prescribed in the AUSTUDY/ABSTUDY Supplement Regulations.

The new subparagraph 12C(1)(b)(iii) will provide that Supplement loans will also be available to students who do not qualify for benefits because of the spouse income test where the adjusted spouse income is less than an amount prescribed in regulations. In 1995 this amount will be \$35,000.

"Adjusted spouse income" will be defined by section 3(1) together with the AUSTUDY/ABSTUDY Supplement Regulations to mean spouse income worked out in accordance with the AUSTUDY and ABSTUDY schemes [see commentary on the proposed amendment to section 3(1)].

This measure will be effective from 1 January 1995.