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# BILLS DIGEST

Digest No. 1706

## Student Loan Scheme (Repayment Bonus) Amendment Bill 2009 (2009 No 28-2)

<b>Date of Introduction:</b>	27 April 2009
<b>Portfolio:</b>	Revenue
<b>Select Committee:</b>	Education and Science
<b>Date report presented:</b>	03 August 2009
<b>Published: 27 August 2009</b>  Prepared by <b>John McSoriley</b> BA LL.B, Barrister  Legislative Analyst  P: (04) 471-9626 (Ext. 9626)  F: (04) 471-1250	Caution: This Digest was prepared to assist consideration of the Bill by members of Parliament. It has no official status.  Although every effort has been made to ensure accuracy, it should not be taken as a complete or authoritative guide to the Bill. Other sources should be consulted to determine the subsequent official status of the Bill.

### Purpose

The aim of this Bill is to amend the Student Loan Scheme Act 1992 (the Act), with the object of encouraging the early repayment of student loans, by providing for the payment, from 01 April 2009, of a 10% bonus to those persons who make voluntary repayments of \$500 or more on their student loans<sup>1</sup>.

### Main changes to the Bill

#### Commencement

The Select Committee has recommended that the substantive provisions of the Bill come into effect on 01 April 2010 (*amending Clause 2 and Clause 4 (the latter by inserting New Section 45G into the Act)*).

<sup>1</sup> Student Loan Scheme (Repayment Bonus) Amendment Bill, 2009 No 28-1, Explanatory note, General policy statement, p. 1.

## Non-salary and non-wage earners

The Select Committee has recommended a change in the date by which periodic payers may make a qualifying repayment to the date for payment of the final instalment of the borrower's interim repayments (*Clause 4, amending New Section 45B(3)(c) and New Section 45E(substituting subsection (3))*).

### *Comment*

This would be 7 May after the end of the tax year for most periodic payers<sup>2</sup>.

## Loan balance less than \$550 when final payment made

The Select Committee has recommended a technical amendment to provide that a voluntary repayment of \$500 would attract a bonus sufficient only to clear the loan but no more (*amending Clause 4, inserting New Section 45CA*).

## Multiple voluntary payments in a tax year

The Select Committee has recommended that the Commissioner of Inland Revenue be able to include all voluntary repayments in a tax year in which a loan was repaid in assessing the 10% bonus (*amending clause 4, New Section 45E by inserting new paragraphs (a) and (b) in subsection (4) and inserting a new subsection, subsection 5*).

### *Comment*

"Under the bill as introduced, only the final balance repaid is eligible for the 10% bonus, not all voluntary repayments in the tax year as for tax years in which a loan is not repaid in full"<sup>3</sup>.

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<sup>2</sup> Student Loan Scheme (Repayment Bonus) Amendment Bill, 2009 No 28-2, as reported from the Education and Science Committee, Commentary, p. 2.

<sup>3</sup> Ibid., pp 2 and 3.