



Tax Talk: Governments Accelerated Repayment Incentives

The Fijian Government upholds education as the most effective pathway to growing the Fijian economy, enriching Fijian society, and advancing the mobility of the Fijian people. The Government is building a knowledge-based society by ensuring that Fiji's young people have equitable access to high quality education at all levels of the Fijian education system.

Over the past years, Government's consistent and targeted investment in the education of Fijian students has led to the historic achievement of universal free primary and secondary school education, and that a record number of Fijian children do have access to secondary and tertiary education.

To ensure that every young individual has access to tertiary education and is not prevented from pursuing higher education due to lack of financial support, the Tertiary Scholarship and Loans Act 2014 was introduced.

In the National Budget of 2018/2019, a number of initiatives under Tertiary Education Loan Scheme (TELS) were introduced and redesigned.

Accelerated Repayment Incentives

Accelerated Repayment Incentives (ARI), introduced in the 2018/2019 National Budget, is an early loan repayment mechanism intended to benefit TELS students. ARI encourages TELS recipients to make early repayment of loans and offers heavy incentives if loans are repaid before the due dates. The earlier the repayment date, the higher will be the discount percentage on the overall loan amount. Subsidization on early loan repayment will assist TELS recipients to settle their loans early.

ARI scheme also intends to make TELS a self-sustaining model, allowing for an influx of repayments to be reinvested in the scheme at a much faster rate. ARI is effective from 1st August 2018. This means that all those with TELS loan outstanding as at 1st August 2018 will be eligible to enjoy benefits under this scheme.

Those who accelerate their loan repayments will enjoy discount on their total loan amount. Depending on how fast is the repayment, discount rate of 50 percent, 25 percent or 10 percent on the loan amount can be enjoyed. In essence, faster the loan repayments, lesser will be the amount of overall debt on TELS recipient.

Total Debt Level (Upon Graduation)	Discount applicable at various repayment periods		
	50%	25%	10%
1: Less than \$20,000	<2 years	2-4 years	4-6 years
2: \$20,000 - \$49,999	<3 years	3-6 years	6-8 years
3: \$50,000 - \$99,999	< 4 years	4-8 years	8-10 years
4: \$100,000	<5 years	5-10 years	10-12 years

A discount on loan repayments will mean that a significant portion of overall loan debt will be waived by the Government. This is to encourage students to settle their loans early in order to achieve early financial independence.

Also, each TELS recipient's incentive will be equity – based, allowing those with more debt, more time to repay their loans at a discounted rate.

Loan Repayments Under ARI

TELS ARI is a three step incentive scheme as below –

As illustrated in the table above, ARI provides three levels of discount – 50%, 25% and 10% on the amount of the loan. The three levels are based on total amount of debt and how quickly the discounted portion of the loan will be settled by TELS recipient upon completion of graduation.

Guidelines on early repayment of loans under ARI scheme

Loan refers to total sum of money disbursed to a TELS recipient for pursuing any one or more tertiary education program. Total loan amount means the principal amount of loan together with any interest accrued thereon.

Graduation refers to the completion of final graduation. For instance, if a TELS recipient pursues a diploma course and immediately thereafter a degree course, graduation shall mean graduation under the degree course.

TELS loan becomes a debt repayable to Revenue and Customs upon completion of graduation and therefore a TELS recipient is under an obligation to settle loans immediately upon completion of graduation.

ARI discount applies from the first date of employment of TELS recipient and all discount calculations shall be carried out from the date of employment. However, if a TELS recipient is not employed and he or she wishes to make early repayment of loan for a specific reason (e.g. migration), ARI discount shall apply from the date of graduation. ARI will not apply to

those who have fully repaid their loans before 1st August, 2018. A TELS recipient cannot claim retrospective discounts for loans repaid before 1st August 2018;

Discounts applicable under ARI

Ryan availed TELS loans of \$30,000 in January 2012 to pursue a course in medicine with FSM. He graduated from FSM in December 2015 and started working full time with CWM hospital in February 2016. During the period Feb 2016 – July 2018, Ryan repaid \$10,000 of the total loan amount. As at 1st August 2018, Ryan's outstanding loan amount together with interest stands at \$25,000.

Will Ryan be eligible for discounts under ARI for early repayment of loan? What benefits can he avail under ARI?

CEO's position: Given that Ryan's overall loan debt is outstanding as at 1st August 2018 (effective date of ARI), he can avail discounts under ARI scheme to repay his loans. Loan amount disbursed to Ryan becomes a debt from the date of completion of graduation, that is from December 2015. However, discounts under ARI shall apply from the date of employment, that is from February 2016.

There are three levels of discounts under the ARI scheme. Depending upon the amount of loan and number of years within which the loan is repaid, the rate of discount applies.

Ryan falls in level 2 of Total Debt Level [\$20,000 - \$49,999] as his total debt is \$25,000 as at 1st August 2018. The rate of discount shall depend on number of years within which Ryan repays his total debt. The 3 different discount rates are explained below -

50% Discount: If Ryan makes full loan repayment before February 2019 (within 3 years from the December 2015) he can enjoy a discount of 50%, resulting in overall loan repayment of only 12,500 (50% of outstanding debt of \$25,000).

25% Discount: If Ryan repays his loan after February 2019 but before February 2022 (between 3-6 years), he can enjoy a discount of 25% on his total debt. It means discount amount of \$6,250 (25% of \$25,000) will be waived off and Ryan will pay only \$18,750.

10% Discount: If Ryan repays his loans after February 2022 but before February 2024 (between 6 -8 years), he can avail a discount of 10% i.e. \$2,500 on his total debt resulting in overall loan settlement amount of \$22,500 (\$25,000 - \$2,500).

Accelerated Repayment Incentives is a Government initiative to assist students to proactively engage in financial planning and aim for early financial independence. Abuse or exploitation of this scheme shall be viewed as a breach of Agreement between the student and the TELS Board and penalty provisions of the Agreement shall apply accordingly.

For further information, please contact Ms. Salanieta Lolou on 3243933 | slolou@frcs.org.fj or Ms. Radhika Mani on 3243545 | rmani@frcs.org.fj .