



## **STANDARD INTERPRETATION GUIDELINE 2018 – 34**

### **TERTIARY SCHOLARSHIP AND LOANS ACT 2014 – ACCELERATED REPAYMENT INCENTIVES**

---

This Standard Interpretation Guideline (“SIG”) sets out Fiji Revenue and Customs Services’ (“FRCS”) operational practice in relation to policy changes announced in National Budget Address of 2018/2019 in respect of Tertiary Education Loan Scheme (“TELS”).

It is issued with the authority of the Chief Executive Officer (“CEO”) of FRCS.

Legislative references in this SIG are to the Tertiary Scholarship and Loan Act 2014 (“TSLA”), unless otherwise stated.

This SIG is in effect from 1<sup>st</sup> August 2018 and may need to be reviewed in the event of any relevant legislative amendments.

#### **CONTENTS**

|                          |   |
|--------------------------|---|
| Executive Summary        | 1 |
| Introduction             | 2 |
| Loan Repayment under ARI | 2 |

#### **EXECUTIVE SUMMARY**

1. 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.
2. In the National Budget of 2018/2019, a number of initiatives under Tertiary Education Loan Scheme (TELS) were introduced and redesigned.
3. ‘Accelerated Repayment Incentives’ (ARI), introduced in the National Budget 2018/2019, is an early loan repayment mechanism intended to benefit the student community of Fiji. 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 overall loan amount. Subsidisation on early loan repayment will motivate TELS recipients to settle their loans early.
4. ARI 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.

5. ARI is effective from 1<sup>st</sup> August 2018. This means that all those with TELS loan outstanding as at 1<sup>st</sup> August 2018 will be eligible to enjoy the benefits.
6. The purpose of this SIG is to issue a practical guidance on CEO's interpretation on the impact and applicability of ARI announced in National Budget Address 2018/2019 by the Minister responsible for Economy.

## INTRODUCTION

7. Accelerated Repayment Incentive (ARI) schedule will change the way in which TELS recipients shall settle their loans.
8. ARI is designed to benefit those who have availed or will avail loans under TELS. It provides TELS recipients with an option to make early repayment of loans subject to meeting certain criteria stipulated in this SIG.
9. 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 repayment, lesser will be the amount of overall debt on TELS recipient.
10. A discount on loan repayment 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.
11. 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 REPAYMENT UNDER ARI

12. TELS ARI is a three step incentive scheme as below –

| 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 |

\*The day-count convention that will be used for computing a year is 365 days

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.

13. Rules to consider eligibility of a person to avail discounts under ARI scheme are as below –

- a. Loan refers to total sum of money disbursed to a TELS recipient for pursuing any one or more tertiary education program;
- b. Total debt level referred to in Table under Para 12 above shall mean the total loan amount consisting of principal amount of loan together with any interest accrued thereon;
- c. Graduation shall mean completion of final graduation. If a TELS recipient pursues a diploma course and immediately thereafter a degree course, graduation shall mean graduation under the degree course;
- d. If a TELS loan involves two or more loans in respect of two or more programs and the subsequent program gets terminated, a TELS recipient can avail ARI benefits for loans in respect of programs where he or she has completed the graduation;
- e. TELS loan becomes a debt repayable to FRCS upon completion of graduation;
- f. ARI discount under Para 12 above applies from the first date of employment of TELS recipient and all discount calculations for the purpose of ARI shall be computed from 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;

- g. Whether employed or not, a TELS recipient can opt to early settle the total loan amount upon completion of graduation and ARI discount shall apply in accordance with para 13(f) hereinabove;
- h. ARI discount shall apply only to those TELS loans where the total loan amount is outstanding as at 1<sup>st</sup> August 2018. It will also apply to new loans sanctioned on or after 1<sup>st</sup> August 2018;
- i. ARI shall not apply to loans fully repaid before 1<sup>st</sup> August, 2018. A TELS recipient cannot claim retrospective discounts for loans repaid before 1<sup>st</sup> August 2018; and
- j. Those who avail loan on or after 1<sup>st</sup> August 2018 shall be eligible for ARI discounts on the total loan amount depending on the periods within which the repayment has been made.

14. ARI is a Government initiative to assist student community to proactively engage in financial planning and aim for early financial independence. Abuse or exploitation of ARI shall be viewed as a breach of Agreement between the student and TELS Board and penalty provisions of the Agreement shall apply accordingly.
15. The examples below illustrate applicability of some of the ARI Rules –

**Scenario 1 – Discount applicable on early repayment of loan**

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 1<sup>st</sup> 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 1<sup>st</sup> August 2018 (effective date of ARI implementation), he can avail discounts under ARI 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, which will be 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 discount rate is applied.

| 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        |
| <b>2: \$20,000 - \$49,999</b>      | <b>&lt;3 years</b>                               | <b>3-6 years</b> | <b>6-8 years</b> |
| 3: \$50,000 - \$99,999             | < 4 years  | 4-8 years        | 8-10 years       |
| 4: \$100,000+                      | <5 years   | 5-10 years       | 10-12 years      |

Ryan falls in level 2 of Total Debt Level [\$20,000 - \$49,999] as his total loan amount is \$30,000. The rate of discount shall depend on number of years within which Ryan repays his total debt. The 3 different discount rates are explained as below -

**50% Discount:** If Ryan makes payment of 50% before February 2019 (within 3 years from February 2016) he can enjoy a discount of 50%, resulting in overall repayment of only 15,000 (50% of outstanding debt of \$30,000).

**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 discounted amount of \$7,500 (25% of \$30,000) will be waived off and Ryan will pay only \$22,500.

**10% Discount:** If Ryan repays his loans after February 2022 but before February 2024 (between 6 -8 years), he can avail discount of 10% i.e. \$3,000 on his total debt resulting in overall loan settlement of \$27,000 (\$30,000 - \$3,000).

### **Scenario 2 – Eligibility of TELS recipient under ARI**

Sally's loan request of \$50,000 was approved by TELS Board in June 2010. She used the loan amount to pursue a degree in law from the University of South Pacific (USP). In June 2014 she graduated from USP, was employed as a Legal Officer in a Telecom Company with a good starting salary. She started repaying her loans and in March 2018 she cleared the entire loan amount of \$50,000.

Is Sally eligible for discounts under ARI?

**CEO's position:** ARI scheme introduced in August 2018 applies to TELS loan outstanding as at August 2018 and to new loans to be sanctioned by TELS Board on or after 1<sup>st</sup> August 2018. As Sally settled her entire loan amount before August 2018, she cannot claim any benefit under ARI. Also, she cannot apply for retrospective discounts for early repayment of loans as discounts under ARI can be claimed only if loans are outstanding as at 1<sup>st</sup> August 2018.

### **Scenario 3 – Treatment of student loan granted under scheme other than TELS**

Anisha started her studies with PSC (Public Service Commission) loans of \$10,000 granted to her in the year 2013. She continued her studies further with TELS loan granted during the year 2014 (\$15,000) and 2015 (\$25,000). She graduated in April 2016. Her start date of employment is June 2016. Her total loan amount (inclusive of interest) was \$50,000 of which she managed to repay \$40,000 (80% of \$50,000). Her outstanding loan debt as at 1<sup>st</sup> August 2018 is \$10,000.

Is Anisha eligible for discounts under ARI scheme on student loan granted to her by PSC?

**CEO's position:** As per Section 17 of Tertiary Scholarship and Loans Act 2014, a *“student loan” means any student loan granted to a student prior to 2014*. This means that Anisha can avail ARI discount on the collective loan amount of \$50,000. [PSC loan \$10,000 + TELS loan \$15,000 + TELS loan \$25,000].

Anisha's total debt upon graduation was \$50,000, she falls in debt level 3 (50,000 – 99,000) If she repays her loans before June 2020, she will be eligible for discount of less than 4 years amounting to \$25,000 (50% on total loan amount of \$50,000). She has to pay only \$25,000 to settle her overall loans.

16. Note on Examples - The examples used throughout this SIG are merely illustrative. They do not cover the infinite number of factual scenarios that may arise. CEO has the authority to decide on matters not covered in this SIG on the basis of facts and circumstances that may be apply to each case.
17. For further information and clarification in regard to this SIG, please email us at [tipu@frcs.org.fj](mailto:tipu@frcs.org.fj)