

2024 Domestic Tuition Protection Levies

Draft settings of the 2024 VSL, HELP and Up-front Payments Tuition Protection Levies

The VSL, HELP and Up-front Payments Tuition Protection Levies (the domestic levies) are paid annually by registered education and training providers. Each levy funds the sector-specific activities of the Tuition Protection Service (TPS) following a provider default and TPS operational costs. A provider default occurs when a provider closes, fails to start, or ceases to provide a course or unit of study for an enrolled student.

This fact sheet details the draft settings of the 2024 VSL, HELP and Up-front Payments Tuition Protection Levies.

Sector consultation on the draft 2024 Domestic Levy settings

The [TPS Advisory Board](#)¹ provided its draft advice on the 2024 domestic levy settings to the TPS Director at its March 2024 meeting. The TPS will consult levied providers and other key stakeholders on the draft levy settings from mid-March to mid-May 2024. Feedback collected from the sector during this time will be presented to the Board for consideration ahead of its June 2024 meeting, when the Board will provide its final advice on the 2024 domestic levy settings to the TPS Director.

The Board's letters of draft advice are available for viewing on the [2024 Domestic Tuition Protection Levies Consultation](#)² webpage.

Domestic Tuition Protection Levies

Each domestic levy is comprised of three components:

1. the administrative fee component;
2. the risk rated premium component; and
3. the special tuition protection component.

Annual settings for each levy component are set through two legislative instruments per levy, which must be made by 1 August each year:

1. The administrative fee component is set by the relevant Minister³. The Minister may choose not to make a legislative instrument specifying new amounts for a given year, in which case the administrative fee component amounts will be indexed.
2. The risk rated premium component and special tuition protection component are set by the TPS Director with advice from the TPS Advisory Board.

The domestic levies are paid into two sector-specific quarantined accounts managed by the TPS Director:

1. The **VSL Levy** is paid into the **VSL Tuition Protection Fund**
2. The **HELP Levy** is paid into the **Higher Education Tuition Protection Fund**
3. The **Up-front Levy** is paid into the **Higher Education Tuition Protection Fund**.

¹ www.education.gov.au/tps/tuition-protection-service-advisory-board

² www.education.gov.au/tps/announcements/2024-domestic-tuition-protection-levies-consultation

³ For the VSL Levy, the relevant Minister is the Minister for Skills and Training. For the HELP and Up-front Levies, the relevant Minister is the Minister for Education.

Guiding principles for levy setting advice

The TPS Advisory Board has agreed to the following principles when providing advice to the TPS Director on levy settings, specifically the risk rated premium component and special tuition protection component:

1. Advice should **reflect the overall risk environment** and ensure that revenue matches what is needed to **sustain the relevant fund**, while also being **sustainable for the industry**;
2. The model for each levy should **reflect gradual change** and assist the industry with business planning by providing a stable regulatory environment;
3. The model should be as **simple and transparent** as possible, preferably based on a small number of risk factors;
4. Risk premiums imposed should provide **incentives for providers to adopt positive behaviours**; and
5. **Additional imposts on industry, such as data collection, should be minimised** where possible, consistent with the ability to set sound risk-based levies.

Legislative authority

Legislative authority to collect the **VSL Levy** is outlined in the [VET Student Loans \(VSL Tuition Protection Levy\) Act 2020⁴](#).

Legislative authority to collect the **HELP Levy** is outlined in the [Higher Education Support \(HELP Tuition Protection Levy\) Act 2020⁵](#).

Legislative authority to collect the **Up-front Levy** is outlined in the [Higher Education \(Up-front Payments Tuition Protection Levy\) Act 2020⁶](#).

Draft 2024 Domestic Tuition Protection Levy settings

The draft settings for 2024 domestic levies are given in Table 1 below.

Table 1: Draft levy settings for the 2024 VSL, HELP and Up-front Payments Tuition Protection Levies

Levy	Administrative fee [*]	Risk rated premium [^]	Special tuition protection
VSL	\$119 per provider + \$10.01 per VSL student	\$6 per VSL student + 0.13% x total 2023 VSL loan amounts	0.10% x total 2023 VSL loan amounts
HELP	\$119 per provider + \$10.01 per HELP student	\$6 per HELP student + 0.06% x total 2023 HELP loan amounts	0.10% x total 2023 HELP loan amounts
Up-front	\$119 per provider + \$10.01 per up-front student	\$2 per up-front fee-paying student + 0.04% x total 2023 up-front payments	0.10% x total 2023 up-front payments

^{*}Administrative fee figures quoted were applied for the 2023 domestic levies and will be indexed to CPI for 2024 if the responsible Minister decides not to determine new amounts in a legislative instrument for each levy.

[^]Further detail about the risk rated premium component settings including a full formula is given in the following section.

The 2024 levies will be calculated using student enrolment numbers and revenue for the 2023 calendar year.

In recognition of a lower expected rate of VSL provider defaults, the draft settings for the 2024 VSL Levy propose a reduction in the risk rated premium component specified percentage from 0.17% to 0.13%.

⁴ www.legislation.gov.au/Series/C2020A00005

⁵ www.legislation.gov.au/Series/C2020A00004

⁶ www.legislation.gov.au/Series/C2020A00102

Risk rated premium component

The risk rated premium component is intended to reflect the risk of each levied provider defaulting. A provider presenting a higher risk of defaulting will yield a higher charge for this component of the levy.

The three risk factors relevant to calculating a provider's risk rated premium component are:

1. Financial strength
2. Completion rate
3. Non-compliance history and registration renewal.

Also included in the calculation of the risk rated premium component are a provider's total student enrolments and the income received by the provider for the previous calendar year (i.e. 2023). Depending on which levy is being charged, the risk rated premium component calculation will consider either VSL, HELP or up-front fee-paying student enrolment numbers, and either VSL loan amounts, HELP loan amounts or up-front payments received in the previous calendar year.

The risk rated premium component formula for the 2024 domestic levies is given below.

$$\left[\left(\frac{\text{total students for 2023}}{\text{specified amount}} \right) + \left(\frac{\text{total tuition fee income received in 2023}}{\text{specified percentage}} \right) \right] \times (\text{sum of risk factor values} + 1)$$

Risk factors

The risk factors are a key aspect of the risk rated premium component. They are determined by the TPS Director with advice from the TPS Advisory Board and Australian Government Actuary (AGA).

A provider will receive a **risk factor value** for each risk factor. Risk factors values are numerical values determined by where a provider sits in a given data set for each risk factor. A provider's risk factor values are summed together and used as a multiplier for the provider's risk rated premium component calculation.

The following sections contain further detail about each risk factor and their proposed settings for the 2024 domestic levies.

Risk Factor 1: Financial strength

In previous years, the financial strength risk factor was calculated using three ratios:

1. net profit ratio
2. return on assets
3. debt to equity.

In 2023, some not-for-profit providers raised concerns about the use of the net profit ratio to calculate financial strength by suggesting the use of this ratio unfairly penalised them. In response to this feedback, the AGA tested alternative methods to calculate the financial strength risk factor. The AGA found that removing the net profit ratio from the risk factor calculation resulted in not-for-profit and for-profit providers yielding more equitable risk factor values. Removal of the net profit ratio also resulted in a calculation that better reflected the relative risk of provider default.

The TPS Advisory Board supported the AGA's findings in its letters of draft advice by proposing that the net profit ratio be removed from the 2024 financial strength risk factor calculations. Financial strength risk scores will instead be calculated using the two ratios given in Table 2 for 2024.

Table 2: Financial strength calculations and scores

Ratio	Formula	Below average	Average	Above average
Return on assets	$\left[\frac{\text{NPBT}}{\text{Total assets}} \right]$	≤ 0.0	> 0.0 to ≤ 0.1	> 0.1
Debt to equity	$\left[\frac{\text{Total liabilities}}{\text{Total equity}} \right]$	≥ 2.5 or if the total equity ≤ 0.0	≥ 1.5 to < 2.5	≥ 0.0 to < 1.5
Score		1.5	3.0	4.5

NPBT: Net profit before tax

Providers will receive a score of 1.5, 3.0 or 4.5 for each ratio, which are summed together to give an overall financial strength score. The financial strength score will determine the provider’s financial strength risk factor value according to Table 3 below.

Table 3: Financial strength risk factor values

Financial strength score	2022 and 2023 risk factor values	Proposed 2024 risk factor values
8 or 9	0.0	0.0
6 or 7	1.0	1.0
1 to 5	2.0	2.0
Provider did not submit financial statements	2.5	2.5

The proposed 2024 financial strength risk factor values remain unchanged from 2022 and 2023.

Risk Factor 2: Completion rate

The formula used to calculate a provider’s completion rate percentage is:

$$\left[\frac{\text{Passed EFTSL}}{(\text{Passed EFTSL} + \text{Failed EFTSL} + \text{Withdrawn EFTSL} + \text{Ongoing EFTSL} + \text{Data missing EFTSL})} \right] \times 100$$

EFTSL: Equivalent full-time student load for a year

A provider’s completion rate percentage will determine its completion rate risk factor value according to Table 4 below.

Table 4: Completion rate risk factor values

Completion rate percentage	2020 risk factor values	2022 risk factor values	2023 risk factor values	Proposed 2024 risk factor values
85% or higher	0.0	0.0	0.0	0.0
60% to < 85%	0.0	0.0	1.0	1.0
35% to < 60%	3.5	1.7	2.5	2.5
0% to < 35%	5.5	2.7	3.5	3.5

The proposed 2024 completion rate risk factor values remain unchanged from 2023.

Risk Factor 3: Non-compliance history and registration renewal

The non-compliance history and registration renewal risk factor offers a financial incentive for providers to adopt positive behaviours. There are two components to this risk factor:

1. **Non-compliance history** penalises providers for late payment of the relevant levy and/or the annual provider registration charge over the previous three years.
2. **Registration renewal** penalises any providers that applied for renewal of its registration and, for risk management reasons, had its registration renewed for a period less than the maximum allowable.

A provider's total non-compliance history and registration renewal risk factor value is the sum of the applicable risk factor values in Table 5 below.

Table 5: Non-compliance history and registration renewal risk factor values

Non-compliance history category	2022 and 2023 risk factor values	Proposed 2024 risk factor values
A weighted late payment measure of 30 days or more	2.0	2.0
A weighted late payment measure of 15 days to < 30 days	0.9	0.9
A weighted late payment measure of 1 day to < 15 days	0.7	0.7
A weighted late payment measure of less than 1 day (including having a weighted late payment measure of 0)	0.0	0.0

Plus

Registration renewal category	2022 and 2023 risk factor values	Proposed 2024 risk factor values
For registration periods less than the maximum allowable	1.0	1.0
For registration periods equal to the maximum allowable	0.0	0.0

The proposed 2024 non-compliance history and registration renewal risk factor values remain unchanged from 2022 and 2023.

Special tuition protection component

The special tuition protection component is intended to build the balance of the levy funds when they are below their target size and help meet Commonwealth seed capital repayments. It is calculated as a percentage of the income (loan amounts or up-front payments) received by a provider in the previous calendar year.

The draft settings for the 2024 domestic levies propose retaining the special tuition protection component percentage at 0.10%.

VSL Levy calculation example

The following 2024 VSL Levy calculation example is based on a VSL provider that had **75 VSL students** and received **\$250,000 in VSL loan amounts** in 2023.

Levy component	Levy calculation
Administrative fee*	$\$119 + (75 \times \$10.01) = \$869.75$
Risk rated premium^	<p>Step 1: $75 \times \\$6 = \\450</p> <p>Step 2: $\\$250,000 \times 0.13\% = \\325</p> <p>Step 3: $\\$450 + \\$325 = \\$775$</p> <p>Step 4: Financial strength score: 6 (risk factor value = 1.0) Completion rate percentage: 50% (risk factor value = 2.5) Non-compliance history and registration renewal: weighted late payment measure of 17 days applied (risk factor value = 0.9)</p> <p>Step 5: $(1.0 + 2.5 + 0.9) + 1 = 5.4$</p> <p>Step 6: $\\$775 \times 5.4 = \\$4,185$</p>
Special tuition protection	$\$250,000 \times 0.10\% = \250
Total 2024 VSL Levy	$\$869.75 + \$4,185 + \$250 = \$5,304.75$

*Administrative fee figures quoted were applied for the 2023 domestic levies and will be indexed to CPI for 2024 if the responsible Minister decides not to determine new amounts in a legislative instrument for each levy.

^The calculation method is given in Section 11 of the VET Student Loans (VSL Tuition Protection Levy) Act 2020.

HELP Levy calculation example

The following 2024 HELP Levy calculation example is based on a HELP provider that had **650 HELP students** and received **\$10 million in HELP loan amounts** in 2023.

Levy component	Levy calculation
Administrative fee*	$\$119 + (650 \times \$10.01) = \$6,625.50$
Risk rated premium^	<p>Step 1: $650 \times \\$6 = \\$3,900$</p> <p>Step 2: $\\$10m \times 0.06\% = \\$6,000$</p> <p>Step 3: $\\$3,900 + \\$6,000 = \\$9,900$</p> <p>Step 4: Financial strength score: 6 (risk factor value = 1.0) Completion rate percentage: 65% (risk factor value = 1.0) Non-compliance history and registration renewal: No weighted late payment measure applied (risk factor value = 0.0)</p> <p>Step 5: $(1.0 + 1.0 + 0.0) + 1 = 3.0$</p> <p>Step 6: $\\$9,900 \times 3.0 = \\$29,700$</p>
Special tuition protection	$\$10m \times 0.10\% = \$10,000$
Total 2024 HELP Levy	$\$6,625.50 + \$29,700 + \$10,000 = \$46,325.50$

*Administrative fee figures quoted were applied for the 2023 domestic levies and will be indexed to CPI for 2024 if the responsible Minister decides not to determine new amounts in a legislative instrument for each levy.

^The calculation method is given in Section 11 of the Higher Education Support (HELP Tuition Protection Levy) Act 2020.

Up-front Levy calculation example

The following 2024 Up-front Levy calculation example is based on an up-front provider that had **350 up-front fee-paying students** and received **\$400,000 in up-front payments** in 2023.

Levy component	Levy calculation
Administrative fee*	$\$119 + (350 \times \$10.01) = \$3,622.50$
Risk rated premium^	<p>Step 1: $350 \times \\$2 = \\700</p> <p>Step 2: $\\$400,000 \times 0.04\% = \\160</p> <p>Step 3: $\\$700 + \\$160 = \\$860$</p> <p>Step 4: Financial strength score: 6 (risk factor value = 1.0) Completion rate percentage: 30% (risk factor value = 3.5) Non-compliance history and registration renewal: weighted late payment measure of 2 days applied (risk factor value = 0.7)</p> <p>Step 5: $(1.0 + 3.5 + 0.7) + 1 = 6.2$</p> <p>Step 6: $\\$860 \times 6.2 = \\$5,332$</p>
Special tuition protection	$\$400,000 \times 0.10\% = \400
Total 2024 Up-front Levy	$\$3,622.50 + \$5,332 + \$400 = \$9,354.50$

*Administrative fee figures quoted were applied for the 2023 domestic levies and will be indexed to CPI for 2024 if the responsible Minister decides not to determine new amounts in a legislative instrument for each levy.

^The calculation method is given in Section 11 of the Higher Education (Up-front Payments Tuition Protection Levy) Act 2020.