



Status: **legally binding**

Class Ruling

Commonwealth Teaching Scholarship

❶ Relying on this Ruling

This publication (excluding appendix) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

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What this Ruling is about

1. This Ruling sets out the income tax consequences for recipients who receive payments from the Australian Government Department of Education (the Department) under the Commonwealth Teaching Scholarships Program (CTS Program).

2. Details of this scheme are set out in paragraphs 8 to 25 of this Ruling.

Note: by issuing this Ruling, the ATO is not endorsing the CTS Program. Potential participants must form their own view about the CTS Program.

3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997* (ITAA 1997), unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies if you are an eligible full-time student in receipt of a Commonwealth Teaching Scholarship from the Department under the CTS Program as described in this Ruling.

When this Ruling applies

5. This Ruling applies from 1 July 2023 to 30 June 2031.

Ruling

6. The payments received by students from the Department under the CTS Program as described within this Ruling are considered ordinary income under subsection 6-5(1).

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7. However, the payments received from the Department under the CTS Program will be exempt income under table item 2.1A of section 51-10, where received by full-time students enrolled in the initial teacher education (ITE) programs.

Scheme

8. This description of the scheme is based on information provided by the applicant. If the scheme is not carried out as described, this Ruling cannot be relied upon.

9. Other information referenced is as follows:

- Commonwealth Teaching Scholarships Grant Opportunity Guidelines – v1 November 2024
- Pro-forma Scholarship Agreement.

10. The CTS Program aims to attract high quality and diverse candidates to teaching and address teacher shortages. The Australian Government has committed \$160.1 million from 2023–24 to 2030–31 to deliver the program. The CTS Program is administered by the Department.

11. The CTS Program provides scholarships of up to \$40,000 to new students enrolling full-time in either undergraduate or postgraduate ITE programs. The scholarship is paid in annual instalments of up to \$10,000. An undergraduate student receives a maximum of \$40,000. A postgraduate student receives a maximum of \$20,000. Students studying part-time are not eligible to receive a scholarship.

12. To receive payments, the scholarship recipient must provide evidence of continued full-time enrolment in the ITE degree. Eligible courses are those that have been accredited under national accreditation standards and procedures. All eligible ITE programs are delivered by registered Australian universities, institutes of higher education or university colleges, as listed on the Tertiary Education Quality and Standards Agency National Register of Higher Education Providers and Courses.

13. The Grant Opportunity Guidelines state that the purpose of the scholarship is to assist new ITE students with the financial costs of undertaking an ITE program. The scholarship instalments are paid directly to the recipient's bank account.

14. In accepting a scholarship, recipients agree to a Commitment to Teach obligation. Recipients are required to teach for a time equivalent to the length of their ITE program (up to 4 years for undergraduate programs and up to 2 years for postgraduate programs). Once recipients have completed their Commitment to Teach obligation (up to 2 years or up to 4 years), there is no restriction on where they can teach.

15. Recipients can fulfil their obligation in government schools and government-run early learning settings in Australia. Recipients are responsible for seeking eligible employment and must report annually to the Department on their employment as a teacher for the purposes of calculating the time they have completed towards their Commitment to Teach obligation. The recipients are employed by state and territory governments once they have graduated from their ITE program.

16. The Australian Government does not employ teachers or operate schools and has no involvement in the employment of Commonwealth Teaching Scholarship recipients once they have finished their ITE degree.

17. If scholarship obligations are not met, recipients may have to pay back all or part of the scholarship.

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18. Scholarship recipients must sign a Scholarship Agreement with the Department. The Scholarship Agreement states the maximum funding amount to be paid, the payment schedule and timeframe, requirements of the Commitment to Teach obligation, reporting and compliance obligations and arrangements for repayment of the scholarship if obligations are not met.

19. To be considered for a Commonwealth Teaching Scholarship applicants must complete an online scholarship application form and provide all requested supporting evidence. Submitted applications will be considered through a demand-driven, eligibility-based grant process.

20. Applications will be checked by the Department against eligibility requirements and those that meet the eligibility requirements will be assessed on academic merit. Meeting the eligibility requirements does not guarantee an applicant a scholarship.

21. To be eligible to receive a Commonwealth Teaching Scholarship, applicants must satisfy all of the eligibility criteria as outlined in Section 6 of the Commonwealth Teaching Scholarship Grant Opportunity Guidelines:

- be an individual
- be located in Australia
- be
 - an Australian citizen
 - a permanent resident
 - a holder of a permanent humanitarian visa, or
 - a New Zealand citizen living in Australia
- intend to enrol, or be enrolled, for full-time study in an accredited ITE program commencing in the first study period or semester, noting
 - the scholarship funding will not be paid to successful recipients until evidence of enrolment is provided
 - applicants who defer the commencement of study until later than the first study period or semester do not meet this eligibility requirement
- not have commenced an accredited ITE program within the prior 2 years
- be willing to commit to teaching for up to 4 years (undergraduate) or up to 2 years (postgraduate) in government schools or government-run early learning settings.

22. A top-up payment of \$2,000 may be available to recipients who undertake a final-year professional experience placement in Government school or government-run early learning setting in a remote area in Australia to assist with the cost of study relating to the professional experience placement.

23. To be considered for the top-up payment, recipients will need to provide evidence from their higher education provider of the school or early childhood setting where they will be undertaking their final-year professional experience placement.

24. If over-subscribed, allocation of the additional payment will be made based on the remoteness of the government school or government-run early learning setting, as defined by the Australian Statistical Geography Standard.

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25. If allocated, payment of the \$2,000 will be made once confirmation of the placement has been provided. If the placement does not proceed, or the recipient does not complete the placement, the Department may require the \$2,000 to be returned.

Commissioner of Taxation

30 September 2026

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Appendix – Explanation

❶ *This Explanation is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

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Ordinary income

26. Subsection 6-5(1) provides that an amount is included in assessable income if it is income according to ordinary concepts (ordinary income).

27. The Commonwealth Teaching Scholarship payments made by the Department under the CTS Program are considered ordinary income due to the periodic nature of the payments that are expected and relied on by the recipient.

28. Subsection 6-20(1) provides that an amount of ordinary income is exempt income if it is made exempt from income tax by a provision of the ITAA 1997 or another Commonwealth law.

29. Section 51-1 exempts from income tax ordinary income and statutory income covered by tables in sections 51-5 to 51-30.

30. Table item 2.1A of section 51-10 provides an income tax exemption in relation to payments:

- to a full-time student at a school, college or university
- made by way of scholarship, bursary, educational allowance or educational assistance, and
- subject to the exceptions set out in section 51-35.

31. As the payments are ordinary income, it must be established whether or not they are exempt income under Division 51. This requires a consideration of these 3 conditions.

Are the recipients full-time students at a school, college or university?

32. The CTS Program provides scholarships of up to \$40,000 to new students enrolling full-time in either undergraduate or postgraduate ITE programs. The amount is paid in annual instalments of up to \$10,000. An undergraduate student receives a maximum of

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\$40,000. A postgraduate student receives a maximum of \$20,000. Students studying part-time are not eligible to receive a payment.

33. To receive payments, the recipient must provide evidence of continued full-time enrolment in the ITE degree. Eligible courses are those that have been accredited under the national accreditation standards and procedures. All eligible ITE programs are delivered by registered Australian universities, institutes of higher education or university colleges, as listed on the Tertiary Education Quality and Standards Agency National Register of Higher Education Providers and Courses.

34. As the students participating in the CTS Program are full-time students in eligible courses at the registered institutions during the period in which they receive payments, the condition of being a full-time student at a school, college or university is met.

Are the payments made by way of a scholarship, bursary, educational allowance or educational assistance?

35. The words 'scholarship, bursary, educational allowance or educational assistance' are not defined in the ITAA 1997. The *Macquarie Dictionary*¹ defines:

- scholarship as 'the sum of money or other aid granted to a scholar'
- scholar as 'a student who, because of merit, etc., is granted money or other aid to pursue his or her studies', and
- student as 'someone who is engaged in a course of study and instruction, as at a college, university, or secondary school' and 'someone who studies a subject systematically or in detail'.

36. In interpreting the meaning of the words 'scholarship, bursary or educational allowance or educational assistance', courts have determined that the relevant characteristics of a scholarship include the:

- selection of recipients is based on merit or some other rational criterion (*Re Leitch, deceased* [1965] VR 204), and
- education of the recipient is at least one purpose for which the scholarship is provided (*Federal Commissioner of Taxation v Hall* (1975) 6 ALR 457).

37. To obtain the Commonwealth Teaching Scholarship, students are required to submit an application and undertake a demand-driven, eligibility-based grant process which involves the satisfaction of the eligibility criteria. As such, it is accepted that applicants of the Commonwealth Teaching Scholarship are subject to a competitive or merit-based selective process.

38. The Commonwealth Teaching Scholarship are provided to students to enable them to undertake their degrees at an Australian higher education institution. There is an educational purpose behind the provision of the Commonwealth Teaching Scholarship. The payments are therefore made by way of a scholarship, bursary, educational allowance or educational assistance.

¹ Pan Macmillan Australia (2026) *Macquarie Dictionary* online, www.macquariedictionary.com.au, accessed 22 September 2026.

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Do the exceptions in section 51-35 apply?

39. Section 51-35 excludes the following payments from exemption:

- payments by the Commonwealth for education or training (paragraphs 51-35(a), (b) and (f))
- payments made on the condition that the student will (or will if required) become an employee of, or enter into a labour contract with, the payer (paragraphs 51-35(c) and (d)), or
- payments made under a scholarship that is not provided principally for educational purposes (paragraph 51-35(e)).

Is the payment a Commonwealth education or training payment?

40. The payments are not of the kind described in paragraph 51-35(a), which are Commonwealth payments for assistance for secondary education or in connection with the education of isolated children.

41. The payments are not of the kind described in paragraph 51-35(b), which are Commonwealth education or training payments, as defined in section 52-145. The payments are made by the Commonwealth but are not in respect of a Commonwealth labour market program as defined in subsection 52-145(2).

42. The studentship and internship payments are not of the kind described in paragraph 51-35(f), which are payments that are education entry payments under Part 2.13A of the *Social Security Act 1991*.

43. The payments are not excluded from exemption because they are not payments by the Commonwealth for education or training under paragraphs 51-35(a), (b) or (f).

Is the payment made on the condition that the student enters into employment with, or a contract for labour with, the payer?

44. Paragraphs 51-35(c) and (d) exclude payments from income tax exemption if they represent:

- (c) a payment by an entity or authority on the condition that the student will (or will if required) become, or continue to be, an employee of the entity or authority;
- (d) a payment by an entity or authority on the condition that the student will (or will if required) enter into, or continue to be a party to, a contract with the entity or authority that is wholly or principally for the labour of the student;

45. There is no employment relationship between the Department and scholarship recipients. Teachers are employed by state and territory education departments. The Australian Government does not employ teachers and has no role in providing employment for recipients.

46. The Scholarship Agreement imposes the general 'Commitment to Teach' obligation. It does not require the recipient to undertake labour for the Department. The contract for the recipient's labour would be a separate agreement with the relevant government school or early learning centre.

47. The payments do not contain conditions that require the recipients to perform specific work for the Department, and do not provide any basis for the expectation that employment will be offered at some future date.

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Is the amount provided principally for educational purposes?

48. The Commonwealth Teaching Scholarship are provided to students to enable them to undertake their degrees at an Australian higher education institution.

49. The word 'principally' is not defined and takes on its commonly understood meaning of 'chiefly' or 'mainly'.²

50. The Grant Opportunity Guidelines state that the purpose of the scholarship is to assist new ITE students with the financial costs of undertaking an ITE program

51. The scholarship instalments are paid to full-time students only while studying the ITE program. No further payments are made once the recipient has graduated.

52. The payments provide recipients the opportunities to gain experience or engage in research, learning and development.

53. It is accepted that in providing the Commonwealth Teaching Scholarship, the Department is doing so principally for educational purposes. The payments made are not excluded from income tax exemption by paragraph 51-35(e).

Conclusion

54. None of the exclusions in section 51-35 apply to the Commonwealth Teaching Scholarship.

² Pan Macmillan Australia (2026) *Macquarie Dictionary* online, www.macquariedictionary.com.au, accessed 22 September 2026.

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References

Legislative references:

- ITAA 1997 6-5(1)
- ITAA 1997 6-20(1)
- ITAA 1997 Div 51
- ITAA 1997 51-1
- ITAA 1997 51-5
- ITAA 1997 51-10
- ITAA 1997 51-30
- ITAA 1997 51-35
- ITAA 1997 51-35(a)
- ITAA 1997 51-35(b)
- ITAA 1997 51-35(c)
- ITAA 1997 51-35(d)
- ITAA 1997 51-35(e)

- ITAA 1997 51-35(f)

Cases relied on:

- Federal Commissioner of Taxation v Hall
75 ATC 4156; 5 ATR 450; (1975) 6 ALR 457
- Re Leitch, deceased 1965 VR 204

Other references:

- Pan Macmillan Australia (2026) *Macquarie Dictionary* online,
www.macquariedictionary.com.au
-

ATO references

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