



Salary packaging and education debts

2019/2020 Financial Year fact sheet

Depending on your individual circumstances, participation in a salary packaging arrangement may increase the compulsory repayment amount you may need to make for the Financial Year for various education debts, such as HELP (previously known as HECS) and SFSS.

Though your compulsory repayment may increase, it is likely that you will still receive a substantial tax benefit from a salary packaging arrangement.

Education debts that may be impacted by salary packaging

HELP (Higher Education Loan Program)

For eligible students enrolled in Commonwealth supported places at university or other higher education providers, or approved vocational education and training providers. Eligible students typically elect to repay the debt via the tax system. Please refer to Table 2 on the next page of this fact sheet for the thresholds and repayment rates for compulsory repayment.

SFSS (Student Financial Supplement Scheme)

This was a voluntary loan scheme to assist tertiary students cover expenses whilst studying. It ended on 31 December 2003, however existing debts continue to be repaid through the tax system via compulsory repayments. Please refer to Table 3 on page 3 of this fact sheet for the thresholds and repayment rates.



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Repaying your education debt

You are required to start repaying your education debt when your Repayment Income is above the minimum repayment threshold for compulsory repayment, even if you are still studying. Compulsory repayments are made through the taxation system, however you can also make voluntary repayments at any time to reduce your loan balance.

Your Repayment Income is made up of the following amounts, all of which are obtained from your annual income tax return:

- Your taxable income; plus
- Any amount your taxable income was reduced by a net investment loss; plus
- Your total Reportable Fringe Benefits Amount shown on your annual PAYG payment summary; plus
- Your reportable employer superannuation contributions shown on your annual PAYG payment summary; plus any exempt foreign employment income amounts included in your tax return.

The impact of salary packaging on your education debt

In the example below, Jenny works for a hospital with a gross salary of \$45,000 per year of which she is salary packaging \$9,010. Kate works for a charity and earns \$50,000 per year of which she is salary packaging \$15,900. Although Jenny and Kate's HELP compulsory repayments have increased, participation in their employer's salary packaging program still increases each of their disposable income.



	Jenny		Kate	
	Without Salary Packaging	With Salary Packaging	Without Salary Packaging	With Salary Packaging
Gross Salary	\$45,000	\$45,000	\$50,000	\$50,000
Salary packaging amount	\$0	\$9,010	\$0	\$15,900
Taxable salary	\$45,000	\$35,990	\$50,000	\$34,100
Reportable fringe benefits amount	\$0	\$17,000	\$0	\$30,000
HELP repayment income	\$45,000	\$52,990	\$50,000	\$64,100
HELP repayment rate	0.0%	2%	1.0%	3.5%
Compulsory HELP repayment	\$0	\$1,060	\$500	\$2,244
Annual salary packaging savings	\$0	\$3,077	\$0	\$4,883
Total salary packaging savings	\$0	\$2,017	\$0	\$3,139

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Payroll deductions for education repayments

In order to ensure you do not have to make a lump sum payment towards your education debt after submitting your tax return, your payroll may be able to withhold additional tax throughout the financial year.

To ensure the correct amount of tax is being withheld from your gross salary, you should seek independent financial advice.

Table 2: 2019/20 HELP Repayment Income (HRI)

Thresholds	Repayment rate
Below \$45,881	Nil
\$45,881 – \$52,973	1.0%
\$52,974 – \$56,151	2.0%
\$56,152 – \$59,521	2.5%
\$59,522 – \$ 63,092	3.0%
\$63,093 – \$66,877	3.5%
\$66,878 – \$70,890	4.0%
\$70,891 – \$75,144	4.5%
\$75,145 – \$79,652	5.0%
\$79,653 – \$84,432	5.5%
\$84,433 – \$89,498	6.0%
\$89,499 – \$94,868	6.5%
\$94,869 – \$100,560	7.0%
\$100,561 – \$106,593	7.5%
\$106,594 – \$112,989	8.0%
\$112,990 – \$119,769	8.5%
\$119,770 – \$126,955	9.0%
\$126,956 – \$134,572	9.5%
\$134,573 and above	10%

SFSS repayments and rates

Your compulsory SFSS repayments for the 2018/19 Financial Year will be calculated based on the repayment rate shown on the following table:

Table 3: 2018/19 SFSS Repayment Income

Thresholds	Repayment rate
Below \$51,957	Nil
\$51,957 – \$64,306	2%
\$64,307 – \$91,425	3%
\$91,426 and above	4%

Other Education Loans

You may have one of the below education loans. Please contact the administering organisation to find out if a salary packaging arrangement will impact your repayment amounts or eligibility for the loan.

SSL (Student Start-up Loan)

This scheme commenced on 1 January 2016 and replaces the previous Student Start-up Scholarship payment. This is a voluntary loan available to eligible students in higher education who receive Youth Allowance, Austudy or ABSTUDY Living allowance. Payments are administered by the Department of Human Services.

TSL (Trade Support Loans)

Under this program, eligible apprentices are offered loans of up to \$21,078 over 4 years. Payments are administered by the Australian Apprenticeships Centres and the Department of Education and Training.

Please note: Information, advice or guidance provided in this fact sheet, is general in nature and provided without reference to your organisation policies or your circumstances. It is not and should not be considered to be organisational or personal advice to you. Please contact your accountant, tax agent or legal adviser to determine how the information in this fact sheet may apply to your circumstances. Alternatively you can contact Advantage with any queries about how the information in this fact sheet may apply to your circumstances.