

# Fact Sheet

## Salary packaging and education debts

### Introduction

This AccessPay Fact Sheet is intended to provide guidance to employees about salary packaging and education debts (for example HELP or HECS Education Debts). 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. Though your compulsory repayment may increase, it is likely that you will still receive a substantial tax benefit from a salary packaging arrangement.

### Impact on salary packaging

Salary packaging reduces your taxable income and is then represented on your PAYG payment summary as a Reportable Fringe Benefit. Your Reportable Fringe Benefit amount can affect certain benefits including:

- Centrelink payments
- Medicare Levy Surcharge
- Private Health Insurance rebate
- Child Support Payments
- Superannuation co contribution
- Tax offsets
- Education debts

### Benefits

Generally, participation in a salary packaging program will result in an increase in your compulsory repayment amount. However, you will still benefit from salary packaging as your disposable income will increase. In addition to this, you will be repaying your education loan faster, reducing your debt.

In the example below, although Kate's HELP compulsory repayment has increased by \$2,885 per annum, participation in her employer's salary packaging and employee benefits program will save Kate an amount of \$5,289 in income tax. She will be substantially better off by \$2,404 per annum.

#### Example:

Kate works for a Public Benevolent Institution. Her only income is a salary of \$50,000 per annum and she has a HELP debt.

	Not salary packaging	Salary packaging
Gross Salary	\$50,000	\$50,000
Salary Packaging Amount	\$0	\$15,900
Taxable Salary	\$50,000	\$34,100
Reportable Fringe Benefits	\$0	\$30,000
HELP Repayment Income	\$50,000	\$64,100

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HELP Repayment Rate	0.0%	4.5%
Compulsory HELP Repayment	\$0	\$2,885
Annual Salary Packaging Saving	\$0	\$5,289
Net Benefit from Salary Packaging		\$2,404

Though Kate is required to make compulsory repayments due to her salary packaging arrangement, she still receives a substantial annual salary packaging benefit, plus the benefit of paying back her HELP debt more quickly.

Education debts that may be impacted by a salary packaging arrangement include:

### **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 (previously known as HECS). Debts are repaid via the tax system. Please refer to the table on the next page of this fact sheet for the thresholds and repayment rates for compulsory repayments.

### **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 the table on page 3 of this fact sheet for the thresholds and repayment rates.

### **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 summaries; 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.

### **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 is able to withhold additional tax throughout the financial year. To ensure that the correct amount is being withheld from your gross salary, please follow the following process:

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- Contact AccessPay to advise that you have an education debt. You will need to supply AccessPay with your gross annual salary and the type of education debt that you have.
- AccessPay will complete a calculation using your salary details, as well as your salary packaging arrangement, and advise you what your annual compulsory repayment will be for the financial year. AccessPay are also able to advise you of the per pay period deduction amount.
- If you would like to have your repayment amount deducted as part of your tax withholding each pay period, please inform your payroll of the correct deduction amount. Alternatively, you can elect to make payments yourself during the financial year, or make a lump sum payment after you have submitted your tax return.

### HELP repayments and rates

Your compulsory HELP repayment for the 2017-2018 financial year will be calculated based on the Repayment Rate shown in the following table:

HELP Repayment Income (HRI) Thresholds	Repayment rate
Below \$54,874	Nil
\$54,874 to \$62,238	4% of HRI
\$62,239 to \$68,602	4.5% of HRI
\$68,603 to \$72,207	5% of HRI
\$72,208 to \$77,618	5.5% of HRI
\$77,619 to \$84,062	6% of HRI
\$84,063 to \$88,486	6.5% of HRI
\$88,487 to \$97,377	7% of HRI
\$97,378 to \$103,765	7.5% of HRI
\$103,766 and above	8% of HRI

### SFSS repayments and rates

Your compulsory SFSS repayments for the 2017-2018 financial year will be calculated based on the repayment rate shown on the following table:

Repayment income thresholds	Repayment rate
Below \$55,874	Nil
\$55,875 - \$68,602	2% of RI
\$68,603 - \$97,377	3% of RI
\$97,378 and above	4% of RI

### 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

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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 \$20,000 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 AccessPay with any queries about how the information in this fact sheet may apply to your circumstances.