



6 tips to help you pay off your HECS - HELP debt

There's no doubt that in today's competitive job market, further study is a prerequisite to embark on many careers. This includes university degrees, selected post graduate study or vocation training at TAFE, in which student loans may need to be arranged.

The older Higher Education Contribution Scheme (HECS), now Higher Education Loan Program (HELP) is an umbrella government initiative that includes numerous low rate student loans offered to students enrolled in Commonwealth support places, which are paid back through the taxation system. It doesn't extend to additional study costs such as accommodation or textbooks.

A HECS -HELP debt includes any unpaid HECS-HELP, FEE-HELP, VET FEE-HELP, OS-HELP, SA-HELP and VET Student Loan debts.

1. What is HECS - HELP?

If you are an eligible student, the Australian Government (through the HECS-HELP scheme) pays your educational course fees. Students pay their educational institution directly. Once your income reaches a certain threshold, you will be required to repay all or part of the loan. Repayment amounts are calculated on what is referred to as your HELP Repayment Income. This includes your taxable income plus other amounts including reportable fringe benefits, salary sacrificed super contributions,

net investment losses and exempt foreign income. Voluntary repayments can also be made. A HECS-HELP debt starts immediately after the elected 'census' date for any University course you've nominated to receive HELP assistance for, meaning if you are still a student, yet earn over the pre-tax threshold, you will still be expected to make your repayments.

2. Who can get HECS-HELP?

To qualify for HECS-HELP, you have to meet the following standards:

- Study in a Commonwealth supported place;
- Be an Australian citizen; or
- Be a New Zealand Special Category Visa holder who meets the long-term residency requirements; or
- Be a permanent humanitarian visa holder;
- Be enrolled in each unit at your university by the census date;
- Meet the relevant HECS-HELP residency requirements; and
- submit a valid request for Commonwealth support and HECS-HELP form by the census date (or earlier administrative date) to your university

3. How much do I need to repay?

The compulsory repayment threshold for the 2018-2019 financial year is \$51,957, but it will be lowered to

6 tips to help you pay off your HECS - HELP debt

\$45,881 for the 2019-20 income year. The more you earn, the higher your repayments will be. When you lodge your tax return, your tax agent will calculate your HECS - HELP repayment income for the year and tell you how much your compulsory repayments will be. Loan rates are calculated using the consumer-price index.

If making your compulsory repayments will cause you serious financial hardship, you can apply to defer your repayments. The debt, however, will never disappear, even if you declare bankruptcy. Repayments will restart when you earn over the minimum repayment threshold. A HECS-HELP debt is cancelled upon death.

You will need to make sure your employer is aware that you have a HECS-HELP loan as they will need to estimate and factor the debt into your PAYG. Most people pay off their HECS-HELP loan using the PAYG system.

If you get a new job, you will need to mark the appropriate check-box when you complete your Taxation Declaration Form.

If you plan to live and work overseas and have HECS - HELP or training support loan, you are required to:

- update your contact details and submit an overseas travel notification within seven days of leaving Australia. This is if you have an intention to (or already) reside overseas for 183 days or more in any 12 months
- Lodge your worldwide income or a non-lodgment advice.

You can report your worldwide income through your Australian registered tax agent or by accessing ATO online services through myGov.

If you use an Australian registered tax agent to lodge on your behalf, they can lodge after the usual 31 October deadline.

4. How do I make voluntary repayments?

You can make voluntary repayments at any time to reduce the balance of your debt. Voluntary repayments are in addition to compulsory repayments/overseas levy and are not refundable.

If you plan to pay off your total loan balance with a voluntary repayment, it's best to make your repayment before you lodge your tax return. Some people use salary packaging arrangements with their employers to pay off their loans faster by making voluntary repayments.

Entering into a salary sacrifice arrangement may result in your payer providing a fringe benefit to you. You should seek financial advice before entering into this arrangement. Any voluntary repayments are non-tax-deductible.

How can I check my HECS-HELP debt?

Your tax agent has access to your HECS-HELP debt, and will advise if it's beneficial to make voluntary repayments to help minimise your tax debt.

Tax Tips for repaying your HECS-HELP debt

Upfront organisation will save you precious pennies. Keep all work-related receipts and claim deductions for everything you're entitled to. This can reduce your taxable income and minimise your compulsory annual repayment amount.

If your return is a little more complicated or you're unsure about what you can and can't claim, make an appointment with one of our tax consultants. We'll work out exactly what you need to minimise your tax and maximise your refund.

ITP The Income Tax Professionals have over 240 offices throughout Australia. You can phone 1800 367 487 or book online at www.itp.com.au to book an appointment for an office closest to you. If getting to an office is too far, we offer a remote tax service. Simply book online at www.itp.com.au/remote and one of our consultants will contact you.

ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.



THE INCOME TAX PROFESSIONALS

www.itp.com.au
1800 367 487