

HECS-HELP benefit

Voluntary repayments and avoiding indexation

What is the HECS-HELP benefit?

This government initiative was first introduced in the 2008 Federal Budget to encourage graduates of mathematics, science and early childhood education courses of study to take up employment in specified occupations and, in the case of early childhood education graduates, in specified locations including: rural and regional areas; indigenous communities; and socio-economically disadvantaged areas. The benefit was later extended to students from an eligible education or nursing (including midwifery) course of study graduating after 30 June 2009.

The HECS-HELP benefit provides for a reduction in the:

- compulsory HELP repayment included on an income tax notice of assessment
- accumulated HELP debt for early childhood education teachers who do not have to make a compulsory repayment.

Voluntary repayments

You can make voluntary repayments to reduce your HELP debt at any time.

Voluntary repayments are in addition to compulsory repayments. They are not refundable.

Making a voluntary repayment reduces your debt immediately, but you may still have to make a compulsory repayment if, after making the voluntary repayment:

- you still have an accumulated HELP debt
- your repayment income is above the minimum compulsory repayment threshold (\$43,151 in 2009-10).

Bonuses

Some voluntary repayments attract a bonus.

If you make a voluntary repayment of \$500 or more, you will receive a bonus of 10%. The bonus is 10% of the payment that you make, not 10% of the outstanding debt. So, if you pay \$500 off your loan, your account will be credited with a repayment amount of \$550 ($\$500 + 10\% \text{ of } \$500 = \550).

You will not receive a bonus on repayment amounts that are more than the balance of your account.

Indexation – worth knowing

In order to maintain the real value of your debt, the ATO applies indexation on 1 June each year to the part of your debt that has remained unpaid for more than 11 months, by adjusting it in line with changes in living costs, as measured by the Consumer Price Index (CPI). The indexation rate applied to debts on 1 June 2009 was 3.9%.

Once indexation is applied to your account, the new balance becomes your new accumulated HELP debt.

The best time to pay

You may benefit if you make a voluntary repayment before indexation is applied on 1 June. Make sure that you allow enough time for the payment to be processed and credited to your account before 1 June.

If you intend to repay your total debt with a voluntary repayment, make the repayment before you lodge your income tax return. If your income tax return is processed before your voluntary repayment is credited to your account, a compulsory repayment may be included on your notice of assessment and you may not receive the bonus on the voluntary repayment.

Do not make voluntary repayments to the ATO before you have incurred a debt

Technically, you incur a debt on the census date for your unit of study. (The census date for a unit of study is the closing date to apply for FEE-HELP assistance). However, for administrative reasons, the ATO records debts for the following periods:

- 1 January to 30 June 2009 as being incurred on 31 March 2009
- 1 July to 31 December 2009 as being incurred on 31 August 2009.

Making a voluntary repayment

You can make repayments by:

- BPAY®
- direct credit
- in person at an Australia Post outlet
- mail.

Remember, for maximum benefit, if you want to pay your total debt, make the payment before the ATO processes your income tax return.

Contact us

For further clarification on the above or for information on how we can help you, please contact us:

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