

# STUDY AND TRAINING SUPPORT LOANS (HECS/HELP) & SALARY PACKAGING

## Salary packaging with a Study and Training Support Loan (STSL)

Employees who salary package capped general living expenses and/or meal entertainment benefits reduce their taxable income **but** increase their *reportable* income for STSL repayment purposes. This can increase your student loan repayments for the year.

The good news is that the increased STSL payment:

- Means you pay off your debt faster (using income tax savings)
- Is rarely greater than your overall salary packaging savings – most employees still save thousands each year, even with an increased STSL repayment
- Can be managed by a simple payroll adjustment

If you want to know more about the impact salary packaging will have on your reportable income for STSL purposes, simply call us and we will provide you with an estimate.

## What is the impact?

Personal circumstances will vary, and we strongly recommend you seek independent financial and/or taxation advice before entering into a salary packaging arrangement.

|  | WITHOUT salary packaging | WITH salary packaging & STSL* |
|--|--------------------------|-------------------------------|
| Gross annual income                                      | \$60,000                 | \$60,000                      |
| Pre-tax living expenses                                  | \$0                      | \$9,009                       |
| Pre-tax meal entertainment                               | \$0                      | \$2,650                       |
| Pre-tax administration fee                               | \$0                      | \$240                         |
| Taxable income   | \$60,000                 | \$48,101                      |
| Tax payable (including Medicare Levy)                    | \$11,167                 | \$7,062                       |
| Reportable income (for STSL purposes)                    | \$60,000                 | \$70,101                      |
| STSL repayment   | \$1,500                  | \$2,804                       |
| Net pay  | \$47,333                 | \$38,235                      |
| After-tax living expenses                                | \$9,009                  | \$0                           |
| After-tax meal entertainment                             | \$2,650                  | \$0                           |
| <b>Take-home pay</b>                                     | <b>\$35,674</b>          | <b>\$38,235</b>               |
| <b>Increase to your take-home pay: \$2,561 each year</b> |                          |                               |

*\*This example is designed to give you an estimate on the potential increase to take-home pay when salary packaging with a Study and Training Support Loan and is not to be used as a substitute for independent financial and/or taxation advice. This calculation is based on 2020-21 income tax rates and STSL thresholds and rates. The administration fee can vary based on your employer policy and benefits available.*

Salary packaging can impact on your STSL repayments and on other means-based government payments such as child support, so it is also recommended that you notify Centrelink of any changes to your income.

## Next steps

When you apply for salary packaging, note that you have a STSL and we will prepare a calculation for you to increase your payments directly with payroll. It is important to pass this information to your payroll team to ensure the correct amount is deducted for your STSL. Without this increase you may incur an STSL debt when you lodge your year-end income tax return.