



Take full advantage

PACK FACT

HECS REPAYMENTS AND SALARY PACKAGING

If you have a HECS debt and you Salary Package then the amount of HECS you have to repay each year will be affected.

When you Salary Package, the benefit you receive will be reported on your Payment Summary (formerly called your Group Certificate).

The items you include in your Salary Package will appear in your Reportable Fringe Benefits (RFB). Your RFB is made up of the actual amount of benefit you received, plus the Fringe Benefits Tax that would have been payable on that benefit. For an explanation of RFB including how it is calculated on your payment summary please refer to **“PACK FACT Reportable Fringe Benefits on your Payment Summary”**.

HECS Repayment Income:

The Australian Taxation Office (ATO) considers the following as HECS repayment income:

- Your taxable income for an income year; *PLUS*
- Any amount your taxable income has been reduced by a net rental loss; *PLUS*
- Your **total** reportable fringe benefits amounts shown on your Payment Summary.

You need to advise your Pay Office to calculate your HECS on your total estimated income, including your RFB. To do so, you should complete an ATO form called **Withholding Declaration Upwards Variation** and supply it to your Employer. This can be obtained from the ATO website.

Example: You have a HECS debt. Your salary before Salary Packaging is \$41,050. You Salary Package \$16,050 to your mortgage.

On your Payment Summary your taxable income will be \$25,000 => (\$41,050 - \$16,050)

Your RFB is \$30,000 => $\frac{\$16,050}{(1 - 0.465)}$

Your HECS repayment income is \$55,000 => (\$25,000 + \$30,000)

** See “PACK FACT Reportable Fringe Benefits on your Payment Summary” for a further explanation.*

Before Salary Packaging		After Salary Packaging	
You Earn (Gross)	\$41,050	You Earn (Gross)	\$41,050
Taxable Income	\$41,050	Salary packaged Mortgage Payment	- \$16,050
Income Tax Payable	- \$ 8,281	Taxable Income	\$25,000
HECS Payable	- \$ 1,642	Income Tax Payable	- \$ 3,225
Take Home Pay	\$31,127	HECS Payable	- \$ 3,300
Less Mortgage Payment	- \$16,050	Take Home Pay	\$18,475
Take Home Pay	\$15,077		

You are \$3,398 per year in front as well as reducing your HECS debt by an extra \$1,658

DISCLAIMER

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