



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 \$39,095. You Salary Package \$9,095 to your mortgage.

On your Payment Summary your taxable income will be \$30,000 => (\$39,095 - \$9,095)

Your RFB is \$17,000 => $\frac{\$9,095}{(1 - 0.465)}$

Your HECS repayment income is \$47,000 => (\$30,000 + \$17,000)

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

Before Salary Packaging		After Salary Packaging	
You Earn (Gross)	\$39,095	You Earn (Gross)	\$39,095
Taxable Income	\$39,095	Salary packaged Mortgage Payment	- \$ 9,095
Income Tax Payable	- \$ 7,665	Taxable Income	\$30,000
HECS Payable	- \$ 1,564	Income Tax Payable	- \$ 4,800
Take Home Pay	\$29,866	HECS Payable	- \$ 2,350
Less Mortgage Payment	- \$ 9,095	Take Home Pay	\$22,850
Take Home Pay	\$20,771		

You are \$2,079 per year in front as well as reducing your HECS debt by an extra \$786.

DISCLAIMER

The information supplied on this page is provided as an information guide only. It contains Remunerator (Aust) Pty Ltd ACN 074 423 966 interpretation of the current Tax Legislation which is subject to change at any time without notice and should not be relied on as a substitute for legal or other professional advice.

Example uses income tax rates effective 1st July 2006.

Issued: Feb 07