

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 29 May 2007)

Question **BET 98**
Topic: **HECS debt**
Hansard Page: **E60a**

Senator **Watson** asked:

My understanding is that the law prescribes certain amounts that must be deducted in terms of discharging the HECS debt. We had another scenario where taxpayers actually pay off at an accelerated rate, which appears to not fully be recognised. I am not sure that the law does cover that situation.

Mr D'Ascenzo—We are happy to take that on notice and investigate the issue. My understanding from Ms Crawford's example is that we think that we are bound by the law in this area, but we will certainly explore it. As I said, when you asked me the question I said that in theory what you suggest is right.

Answer

Employers are not required to withhold an amount more than prescribed on the relevant pay as you go (PAYG) withholding schedule. Taxpayers may, however, enter into an arrangement with their employer to increase the amount withheld from their salary or wages. Once the arrangement has been entered, it becomes a requirement for the employer to withhold the increased amount., The taxpayer will not be entitled to a PAYG credit equal to the amounts withheld, including the increased amount, until an assessment for the relevant income year has been made for the taxpayer.

Accordingly, where a taxpayer wishes to make accelerated payments towards their accumulated Higher Education Loan Programme (HELP) debt, the best avenue available to them is to voluntarily pay the accelerated payments directly to the Tax Office.

In some instances, the law does provide a benefit for those taxpayers that choose to pay off their HELP debts at an accelerated rate by making voluntary payments. The higher education law provides a benefit in the form of a 10% bonus where a voluntary repayment of \$500 or more is made, or a voluntary repayment is taken to repay the HELP debt in its entirety.

Since 1 July 2006, over \$138 million has been received by the Tax Office in voluntary repayments which have attracted a bonus in the amount of approximately \$13 million. These figures highlight the fact that there are a significant number of taxpayers who make voluntary repayments and benefit from the associated bonus.