



Higher Education Loan Program – fairer indexation

The Australian Government has listened to students' concerns and will make HELP fairer by improving the way indexation is calculated.

It has also acted on the Australian Universities Accord's recommendation to cap the HELP indexation rate to be the lower of either the Consumer Price Index (CPI) or the Wage Price Index (WPI).

The Government will backdate this relief to all HELP, VET Student Loan, Australian Apprenticeship Support Loan and other student support loan accounts that existed on 1 June last year.

This will remove around \$3 billion in student debt from more than 3 million Australians.

How will this initiative work?

Amendments to the *Higher Education Support Act 2003* will be introduced to cap HELP indexation at the lower of the Consumer Price Index (CPI) or the Wage Price Index (WPI).

This will benefit all Australians with a HELP debt, fixing the issue of last year's increase in the CPI indexation rate of 7.1% and preventing growth in debt from outpacing wages in the future. The 2023 indexation rate based on WPI would only have been 3.2%.

This means the Government will provide an indexation credit against a person's outstanding HELP loans, with effect from 1 June 2023.

The Australian Taxation Office will automatically apply indexation credits to an individual's HELP account and there is no need for an individual to request an indexation credit.

The indexation changes will be applied:

- retrospectively to 2023 by lowering the 2023 HELP indexation rate from 7.1% to 3.2%, which is the lower WPI amount.
- and for 2024, the 4.7% indexation that will be applied on 1 June 2024, will also be reduced to 4.0% when the legislation is passed.

For example, a person with an average HELP debt of \$26,500 will receive a credit of up to \$1,190 which is the difference between the 2023 CPI rate of 7.1% and the WPI rate of 3.2%, and the 2024 CPI rate of 4.7% and the projected WPI rate of 4.0%.

Why is it important?

The 2023 spike in CPI indexation rate of 7.1% highlighted the financial impact felt by students and graduates with a HELP loan.

The 2023 indexation rate would have only been 3.2% had it been based on WPI.

Introducing legislation to cap HELP indexation at the lower of either CPI or WPI, with a practical effect from 1 June 2023, will ensure future HELP indexation never rises faster than wages.

Who will benefit?

Changing how indexation is calculated for HELP loans – making it fairer – will benefit around 3 million Australians.

The total amount of indexation credits for individuals is estimated to be around \$3 billion and is a direct result of lowering the HELP indexation rates in 2023 and 2024 for around 3 million Australians with outstanding HELP loans.

Australians with a HELP debt can find out how much this is estimated to benefit them using the HELP Indexation Credit Estimator: education.gov.au/HELPEstimator.

This means that:

- For individuals who pay off their HELP loan in financial year 2023-24, there will be a tangible benefit in the form of a tax credit. Where these individuals have no other tax liability, there is the possibility of a cash refund.
- For individuals with an outstanding HELP loan beyond 2023-24, the immediate effect of this measure will be a reduction in their outstanding HELP amount. As a result, people with a HELP loan might be able to pay it off sooner, as outstanding loans will not grow at a rate higher than the growth in wages.
- People with lower incomes will benefit as the previous indexation may have been greater than the growth in their wages.

Indicative indexation credit for HELP debtors*

HELP Debt	Total estimated credit for 2023 and 2024
\$15,000	\$670
\$25,000	\$1,120
\$30,000	\$1,345
\$35,000	\$1,570

\$40,000	\$1,795
\$45,000	\$2,020
\$50,000	\$2,245

*Actual credit amount will vary depending on individual circumstances including repayments made during the year. All HELP debts that were indexed in 2023 and are subject to indexation on 1 June 2024 will receive an indexation credit.