

Labor's Education Announcement

On 3 November 2024 the Albanese Labor Government announced their first election commitment, pledging to reduce every Australian's student loan debt by 20% if re-elected in 2025. In conjunction with the reforms to the student loan indexation framework, as outlined in the May budget, approximately \$20 billion of student debt will be wiped for 3 million Australians. In 2023, the Albanese government implemented significant changes to the way student debt is indexed in Australia, aiming to reduce the burden on graduates. The key changes included:

1. **Indexation Freeze:** One of the major adjustments was a freeze on the student loan indexation rate for 2023. Instead of the usual increase in the Higher Education Loan Program (HELP) debt based on the Consumer Price Index (CPI), the government held off on increasing student debts. Typically, student loans are indexed to inflation, which often results in an automatic increase in debt, but this freeze meant that borrowers wouldn't see their balances grow in line with inflation for that year.
2. **Reduced Indexation Rate:** In addition to the freeze for 2023, the government announced that from 2024 onwards, indexation would be set at a lower rate than usual. Previously, the indexation rate was tied to the annual change in the CPI (Consumer Price Index), but the government moved to adjust the indexation method to be less burdensome for borrowers.
3. **Capping the Interest Rate on Loans:** The government also moved to cap the rate at which student debts could grow. While loans were historically indexed at the CPI plus a real interest component (usually a fixed premium), the new changes aimed to limit the compounding of debt by capping the rate at a lower level. This would reduce the overall amount that graduates need to repay over time.

Prime Minister Anthony Albanese stated that the measures would "assist all individuals currently carrying student debt," including those with the following types of loans:

- HELP loans, encompassing those under the Higher Education Contribution Scheme (HECS)
- VET Student Loans
- Australian Apprenticeship Support Loans
- Other income-contingent student support loan accounts

These announcements were welcomed by many as a step towards reducing the growing burden of student debt, though some critics argued that more systemic changes to higher education funding were needed. This initiative will benefit younger Australians the most, with around 70% of people repaying a HELP debt being aged 35 or younger.

Following the passage of legislation, the Australian Taxation Office (ATO) would apply the one-off 20% reduction to an individual’s HELP or student loan account balance, before indexation is applied on 1 June 2025, meaning that indexation would apply only to the remaining loan debt balance after the HELP debt has been reduced. This will be done by the ATO automatically. The thresholds are listed below.

Range of outstanding HELP debt	Number of Australians with a HELP debt	Range in debt reduction
\$0-\$10,000	791,000	\$0-\$2,000
\$10,000-\$20,000	585,000	\$2,000-\$4,000
\$20,000-\$30,000	501,000	\$4,000-\$6,000
\$30,000-\$40,000	380,000	\$6,000-\$8,000
\$40,000-\$50,000	250,000	\$8,000-\$10,000
\$50,000-\$60,000	147,500	\$10,000-\$12,000
\$60,000+	276,000	\$12,000+

Department of Prime Minister and Cabinet

The Australian Government has also announced it will change the repayment system and increase the amount people can earn before they are required to start repaying their student loan.

Under the election proposal, from 1 July 2025 the student debt repayment threshold would change. The changes mean that people with an outstanding student loan will only be required to make compulsory repayments once they start earning an annual salary of \$67,000 rather than the current starting salary of \$54,435. It will also reduce the size of repayments.

It is important to note that these changes to student loans will not come into effect until July 1, 2025, and is contingent upon the reforms passing through Parliament. This announcement shows a shift for the Albanese Government, pivoting their focus towards the 2025 election. Whilst the election is yet to be called, we can expect to head to the polls sometime between March and May 2025.

HECS-HELP Breakdown

Income threshold	Compulsory repayment amount under proposed change per year	Reduction in compulsory repayment amount per year
\$60,000	\$0	\$600
\$70,000	\$450	\$1,300
\$80,000	\$1,950	\$850
\$90,000	\$3,450	\$600
\$100,000	\$4,950	\$550
\$110,000	\$6,450	\$700
\$120,000	\$7,950	\$450
\$130,000	\$9,550	\$200
\$140,000	\$11,250	\$650
\$150,000	\$12,950	\$550
\$160,000	\$14,650	\$550
\$170,000	\$16,350	\$650
Above \$180,000	No change	No change

ABC News

We can expect to see more election commitments in the months to come. However, this announcement indicates that cost-of-living measures will be a primary focus.

Further information

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