Parliamentary
Budget Office

Policy costing

HECS indexation timing	
Requestor:	Dr Monique Ryan MP, Independent Member for Kooyong
Date costing completed:	29 May 2026
Expiry date of the costing:	12 May 2026 This response has been prepared consistent with the policy settings and parameters at the 2025-26 MYEFO.

Summary of proposal:

The proposal would change the indexation date for the Higher Education Loan Program (HELP) from 1 June to 1 November each year. This will enable HELP loans to be indexed after compulsory payments have already been deducted from the HELP balance.

The window for voluntary repayments would also be extended to 1 November, allowing individuals to make voluntary repayments on their HELP loan before indexation is applied.

The policy would start from 1 June 2026 by deferring the scheduled 1 June 2026 indexation to 1 November 2026.

This policy would be ongoing.

Overview

The proposal would be expected to decrease the fiscal balance by around $1.0 billion, decrease the underlying cash balance by around $1.2 billion, and decrease the headline cash balance by around $249 million over the 2026-27 Budget forward estimates period (See Table 1).

The financial impacts reflect the delay in indexation of HELP debt by 5 months and reduction in balances due to the inclusion of compulsory repayments from the latest financial year prior to indexation for individuals with a HELP debt.

The impacts on the fiscal balance, underlying cash balance, and headline balance differ based on what is captured in each balance. In particular:

- The fiscal balance reflects a decrease to the valuation of the stock of loans, a decrease in indexation revenue, an increase in the concessional loan discount, and a decrease in debt not expected to be repaid.
- The underlying cash balance reflects the decrease in the component of repayments which are classified as interest repayments.
- The headline cash balance reflects the decrease in the component of repayments which are classified as interest repayments and an increase in the component of repayments which are classified as principal repayments.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A.

Consistent with *PBO Guidance 02/2015*, public debt interest (PDI) expense impacts have been included in this costing because the concessional loans affected under this proposal involve financial asset transactions. The impact on gross debt will be broadly consistent with the cumulative movements in the headline cash balance. A note on the accounting treatment of concessional loans is included on the PBO website.

Table 1: HECS indexation timing – Financial implications[(a)]

	2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m	**Total to 2028-29 $m**
Fiscal balance	-712.0	-89.6	-94.7	-108.7	**-1,005.0**
Underlying cash balance	-321.0	-345.2	-272.9	-279.7	**-1,218.8**
Headline cash balance	-2.0	-67.2	-76.9	-102.7	**-248.8**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
- Indicates nil.

Uncertainites

The financial implications of this costing are uncertain, including how the policy change interacts with the timing of finalisation of tax assessments and any behavioural response from debtors. The PBO has assumed no behavioural response from debtors in response to this policy.

The legislation around how HELP debts are indexed is complex and involves 2 stages which both involve specific timing of when,

- indexation is applied,
- compulsory repayments are deducted and
- voluntary repayments are deducted.

Compulsory repayments require that an individual's income tax return has been finalised and reconciled before indexation is applied. While shifting the indexation date from 1 June to 1 November would mean that many tax returns have already been finalised, there would still be a significant number (including many individuals with tax agents with later due dates) which would be reconciled later. The arrangements for how the indexation would apply to debtors who have not finalised their tax returns prior to 1 November may significantly affect the financial implications of the policy, including the cost of administration of the proposal.

For the purposes of this costing, the PBO assumes that the value of compulsory repayments made through the financial year would be equal to the value deducted from an individual's HELP balance and the compulsory repayments would be deducted from the debt before indexation is applied. If there are difference in the overall compulsory repayment for individuals who finalise their tax return after 1 November this may affect the financial implications.

Furthermore, amendments to the Higher Education Support Act 2003 would likely be required to give effect to the policy intent that compulsory repayments for the current financial year are deducted prior to indexation being applied (now proposed for 1 November of the following financial year).

Delays in the implementation would significant effects on the financial implications of the policy.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The compulsory repayments for HELP debt are able to be estimated for all individuals with a HELP debt and applied to the balance of the debt prior to indexation.
- There would be no behavioural change to the value of voluntary repayments as a result of this policy year on year. However, due to the later indexation date at the commencement of the policy the voluntary repayments between 1 July and 1 November would also be deducted prior to indexation in the first year of the policy.
- The required legislative and guidance changes to give effect to the policy are able to be completed in time to replace the 1 June indexation date with the 1 November indexation date.
- Departmental costs are estimated based on similar HELP measures. However these costs may be significantly larger due to the complexity of the proposal and the short time horizon of implementation.

Methodology

The financial implication of this costing is estimated using a combination of the Department of Education (DoE)'s Higher Education Loan Program (HELP) model and PBO's concessional loan calculator and HELP microsimulation model.

- The DoE's HELP model provides forecasts of compulsory and voluntary repayments, indexation rates, and the stock of debt and new loans taken out over the medium term. Voluntary repayments were adjusted as outlined in *Key assumptions*.

The impact of this proposal on the fiscal balance is estimated by setting the indexation rate in the 2025-26 to zero, as the usual 1 June 2026 indexation date has shifted to 1 November 2026. This means would be no indexation event in the 2025-26 financial year. In the following years, the indexation rate was adjusted down to reflect that after repayments made within the financial year are deducted, the effective indexation rate is lower on 1 November of the following financial year. The adjusted rate is calculated based on the proportion of repayments in a given year as a fraction of the HELP debt balance. This adjusted indexation rate and the forecasts of repayments and debt is applied in the PBO's concessional loan calculator model to estimate the impacts on the fiscal balance.

The impacts on the cash balances is estimated by using the PBO's HELP microsimulation model, to capture how a lower indexation rate flows into lower aggregate repayments over time as individual debtors pay their loans down quicker. This results in lower net overall repayments over the medium term, and a switch between repayments towards interest and repayments towards principal.

Data sources

Commonwealth of Australia (2025) *2025-26 Mid Year Economic and Fiscal Outlook,* Commonwealth of Australia.

The Australian Taxation Office provided longitudinal income data for HELP debtors between 2012 and 2022.

The Department of Education provide the Higher Education Loan Program model as at the *2025-26 Mid Year Economic and Fiscal Outlook*.

Attachment A – HECS indexation timing – Financial implications

Table A1: HECS indexation timing – Fiscal balance[(a)(b)]

	2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m	2030-31 $m	2031-32 $m	2032-33 $m	2033-34 $m	2034-35 $m	2035-36 $m	**Total to 2028-29 $m**	**Total to 2035-36 $m**
Revenue													
Administered non-tax													
Indexation on loans	*-1,500.0*	*-140.0*	*-110.0*	*-110.0*	*-110.0*	*-120.0*	*-120.0*	*-130.0*	*-140.0*	*-150.0*	*-160.0*	***-1,860.0***	***-2,790.0***
Unwinding concessional discount	*1,500.0*	*140.0*	*100.0*	*90.0*	*90.0*	*90.0*	*100.0*	*100.0*	*100.0*	*110.0*	*110.0*	***1,830.0***	***2,530.0***
Total – revenue	**..**	**..**	**-10.0**	**-20.0**	**-20.0**	**-30.0**	**-20.0**	**-30.0**	**-40.0**	**-40.0**	**-50.0**	**-30.0**	**-260.0**
Expenses													
Administered													
Concessional loan discount	*-2,890.0*	*-190.0*	*-190.0*	*-190.0*	*-190.0*	*-200.0*	*-200.0*	*-210.0*	*-210.0*	*-220.0*	*-230.0*	***-3,460.0***	***-4,920.0***
Debt not expected to be repaid	*2,180.0*	*110.0*	*110.0*	*110.0*	*120.0*	*130.0*	*130.0*	*140.0*	*150.0*	*150.0*	*160.0*	***2,510.0***	***3,490.0***
Departmental													
Various Agencies	*-2.0*	*-8.0*	-	-	-	-	-	-	-	-	-	***-10.0***	***-10.0***
Total – expenses	**-712.0**	**-88.0**	**-80.0**	**-80.0**	**-70.0**	**-70.0**	**-70.0**	**-70.0**	**-60.0**	**-70.0**	**-70.0**	**-960.0**	**-1,440.0**
Total (excluding PDI)	**-712.0**	**-88.0**	**-90.0**	**-100.0**	**-90.0**	**-100.0**	**-90.0**	**-100.0**	**-100.0**	**-110.0**	**-120.0**	**-990.0**	**-1,700.0**
PDI impacts	**..**	***-1.6***	***-4.7***	***-8.7***	***-13.7***	***-19.7***	***-26.5***	***-33.9***	***-41.7***	***-49.9***	***-58.8***	***-15.0***	***-259.2***
Total (including PDI)	**-712.0**	**-89.6**	**-94.7**	**-108.7**	**-103.7**	**-119.7**	**-116.5**	**-133.9**	**-141.7**	**-159.9**	**-178.8**	**-1,005.0**	**-1,959.2**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Financial implications were rounded consistent with the PBO's rounding rules. [1]

.. Not zero but rounded to zero.

\- Indicates nil.

[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Table A2: HECS indexation timing – Underlying cash balance[(a)(b)]

	2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m	2030-31 $m	2031-32 $m	2032-33 $m	2033-34 $m	2034-35 $m	2035-36 $m	**Total to 2028-29 $m**	**Total to 2035-36 $m**
Receipts													
Administered non-tax													
Repayments toward interest	*-319.0*	*-336.0*	*-269.0*	*-272.0*	*-282.0*	*-288.0*	*-292.0*	*-277.0*	*-278.0*	*-279.0*	*-300.0*	***-1,196.0***	***-3,192.0***
Payments													
Departmental													
Various Agencies	*-2.0*	*-8.0*	-	-	-	-	-	-	-	-	-	***-10.0***	***-10.0***
Total (excluding PDI)	**-321.0**	**-344.0**	**-269.0**	**-272.0**	**-282.0**	**-288.0**	**-292.0**	**-277.0**	**-278.0**	**-279.0**	**-300.0**	**-1,206.0**	**-3,202.0**
PDI impacts	**..**	***-1.2***	***-3.9***	***-7.7***	***-12.4***	***-18.2***	***-24.8***	***-31.9***	***-39.6***	***-47.8***	***-56.5***	***-12.8***	***-244.0***
Total (including PDI)	**-321.0**	**-345.2**	**-272.9**	**-279.7**	**-294.4**	**-306.2**	**-316.8**	**-308.9**	**-317.6**	**-326.8**	**-356.5**	**-1,218.8**	**-3,446.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
(b) Financial implications were rounded consistent with the PBO's rounding rules.

.. Not zero but rounded to zero.

\- Indicates nil.

Table A3: HECS indexation timing – Headline cash balance[(a)(b)]

	2025-26 $m	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m	2030-31 $m	2031-32 $m	2032-33 $m	2033-34 $m	2034-35 $m	2035-36 $m	**Total to 2028-29 $m**	**Total to 2035-36 $m**
Receipts													
Administered non-tax													
Repayments toward interest	*-319.0*	*-336.0*	*-269.0*	*-272.0*	*-282.0*	*-288.0*	*-292.0*	*-277.0*	*-278.0*	*-279.0*	*-300.0*	***-1,196.0***	***-3,192.0***
Repayments toward principal	*319.0*	*278.0*	*196.0*	*177.0*	*168.0*	*162.0*	*157.0*	*141.0*	*138.0*	*140.0*	*150.0*	***970.0***	***2,026.0***
Total – receipts	**..**	**-58.0**	**-73.0**	**-95.0**	**-114.0**	**-126.0**	**-135.0**	**-136.0**	**-140.0**	**-139.0**	**-150.0**	**-226.0**	**-1,166.0**
Payments													
Departmental													
Various Agencies	*-2.0*	*-8.0*	-	-	-	-	-	-	-	-	-	***-10.0***	***-10.0***
Total (excluding PDI)	**-2.0**	**-66.0**	**-73.0**	**-95.0**	**-114.0**	**-126.0**	**-135.0**	**-136.0**	**-140.0**	**-139.0**	**-150.0**	**-236.0**	**-1,176.0**
PDI impacts	**..**	***-1.2***	***-3.9***	***-7.7***	***-12.4***	***-18.2***	***-24.8***	***-31.9***	***-39.6***	***-47.8***	***-56.5***	***-12.8***	***-244.0***
Total (including PDI)	**-2.0**	**-67.2**	**-76.9**	**-102.7**	**-126.4**	**-144.2**	**-159.8**	**-167.9**	**-179.6**	**-186.8**	**-206.5**	**-248.8**	**-1,420.0**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

(b) Financial implications were rounded consistent with the PBO's rounding rules.

.. Not zero but rounded to zero.

\- Indicates nil.