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# Federal Government Plans 20% HECS Debt Reduction Legislation

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The Australian federal government is set to introduce legislation on July 22, 2025, to cut 20% off all Higher Education Contribution Scheme (HECS) debts, affecting around three million Australians. This article examines the proposed $16 billion debt relief plan, its financial implications, and the debate surrounding its fairness, as critics question its cost and long-term impact on taxpayers.

The Higher Education Loan Program (HELP), commonly known as HECS, will see a one-off 20% reduction applied to all outstanding debts as of June 1, 2025, before the annual indexation of 3.2%, calculated by the Australian Taxation Office (ATO) using the lower of the Consumer Price Index (CPI) or Wage Price Index (WPI). This follows a $3 billion debt reduction in 2024, achieved by capping indexation rates, bringing the total debt relief to nearly $20 billion (Department of Education, May 27, 2025). For the average HECS debt of $27,600, this translates to a $5,520 cut, automatically applied by the ATO, requiring no action from borrowers. The government also plans to raise the repayment threshold from $54,435 to $67,000, reducing annual repayments by about $1,300 for someone earning $70,000 (ABC News, April 16, 2025).

Critics, including the Coalition, argue the $16 billion plan is “profoundly unfair,” favoring degree-holders while burdening the broader taxpayer base, including the 24 million Australians without student loans. “This is a cash splash, not reform,” said former Education Minister Simon Birmingham, noting it doesn’t address rising university fees (ABC News, May 31, 2025). The Morrison-era Job-ready Graduates scheme, which hiked humanities fees to $16,992 annually, remains untouched, meaning new students face escalating costs despite the relief (Monash Lens, May 8, 2025). Some, like economist Jack Thrower, argue the root issue—skyrocketing degree costs—remains unaddressed, with repayment times stretching from 7.3 years in 2006 to 9.9 years in 2024 (7NEWS, May 11, 2025).

While the policy may ease financial pressure for graduates, particularly those under 35, its hefty price tag raises questions about fiscal responsibility. Posts on X reflect skepticism, with users like

@RhondaGarad calling it a "farce" that extends repayment periods (May 12, 2025). As legislation looms, the debate over balancing cost-of-living relief with taxpayer fairness intensifies.