Study and training support loan changes are now law

The 20% debt reduction and compulsory repayment changes for study and training support loans are law.

Last updated 11 August 2025

We are making the required system updates so we can deliver these changes for study loan holders, which means they won't happen straight away.

If you have clients with study loans, there are a few things you need to be aware of and actions you may need to take. The most significant change is the 20% debt reduction, which applies to all study and training loans that existed on 1 June 2025. We will backdate this reduction to their loan debt on 1 June 2025; the 2025 indexation is then adjusted to the lower loan amount.

We will notify your clients when we have applied the reduction to their study loan account.

Lodge your clients' tax returns as normal regardless of when the reduction is processed. Lodging a client's tax return won't change the reduction amount applied to their study loan debt.

Because of the gap from 1 June 2025 to when the reduction is applied, some of your clients may have paid off some, or all, of their loans. If they have a credit after the 20% reduction, they may get a refund if they don't have outstanding tax or other government debts. We won't know who gets a refund until the reductions are processed.

Refunds will be sent to the bank account details we have for your client, which could be your trust account. Before the 20% reduction is applied, ask your clients to check and, if necessary, update their financial institution account details. This will enable faster processing of refunds.

The minimum compulsory repayment threshold has increased to $67,000 in the 2025–26 income year. A new marginal repayment system is now in place, with repayments only required on repayment income above $67,000. These thresholds and amounts will be indexed each year.

We are advising Digital Services Providers of these changes so they can update their systems and advise employers in preparation for delivery. We will update the PAYG withholding schedules later in the year to reflect the changed compulsory repayment calculation.

If you have clients who make pay as you go (PAYG) instalments, the instalment rate and amount won't be updated until the 2026–27 income year. Your clients may ask for advice about varying their instalments. It's important their variation is within 85% of their total tax payable, as underestimating their instalment amount or rate could lead to a tax bill at the end of the year.

Familiarise yourself with the changes at **Study and training loans – what's new**.

QC 105358

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