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# flash Alert

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## Australia – Nonresidents Required to Repay Their Australian Education Debt

by KPMG, Australia (a KPMG International member firm)

Recent legislation in Australia brings significant changes to the recovery of Higher Education Loan Programme (HELP) and Trade Support Loan (TSL) debts for debtors who are nonresidents for Australian tax purposes.<sup>1</sup>

### Why This Matters

Individuals who are not Australian tax residents and have Australian higher education debts (HELP and TSL) will now be required to repay these loans based on their worldwide income. This will apply from 1 July 2016.

From 1 January 2016, individuals with these Australian higher education debts who are going overseas with the intention to remain outside Australia for more than 183 days will be required to register with the Australian Taxation Office within seven (7) days of leaving Australia.

Individuals who are already overseas will be required to register by 1 July 2017.

Employers should communicate these changes to their employees, and consider assisting employees with their registration and reporting obligations.

### Background

Previously, nonresident individuals with no Australian sourced income were not required to make HELP/TSL debt repayments. Any repayments from nonresident debtors were voluntary. It was therefore advantageous for individuals to become nonresidents to avoid making repayments on their HELP/TSL loans.

This treatment was changed with enactment of the *Education Legislation Amendment (Overseas Debt Recovery) Bill 2015*, which received Royal Assent on 26 November 2015.

### Registration Requirements

From 1 January 2016, individuals going overseas with the intention to remain outside Australia for more than 183 days will be required to register with the Australian Taxation Office (ATO) (via their myGov account) within seven (7) days of leaving Australia.

Individuals already living overseas will need to update their details no later than 1 July 2017.

### Worldwide Income Reporting and Repayment Requirements

Repayments will be required where the individual's worldwide income exceeds the minimum repayment threshold which is indexed annually (currently, A\$54,126 for the year ending 30 June 2016).

At this stage, the individual's worldwide income needs to be reported to the ATO by 31 October each year.

Further guidelines will be published on how to calculate that worldwide income (including how to convert it into Australian currency) as well as the details of when and how this information needs to be provided.

Repayment obligations will commence from 1 July 2017, for income earned in the tax year commencing 1 July 2016.

Penalties can apply for a maximum of A\$3,600 for a notification that is not made, increasing for subsequent offences.

### **KPMG Note: Impact on Employees – Including Expatriate Employees – and Their Employers**

Employees are currently required to advise employers in Australia that they have education-related debts. Employers are then required to deduct and remit employee contributions through the payroll system.

The withholding does not and will not apply to nonresident employees. However, Australian nonresident employees will be accustomed to having their repayments managed through the payroll system, and may struggle to calculate and report their worldwide income, as well as finance the repayment as a lump sum at tax return time.

#### ***Employer Considerations***

Employers should consider taking the following actions:

- Communicate these changes to their Australian employees working overseas.
- Consider deducting additional hypothetical tax during assignments in anticipation of the expected liability.
- Consider the level of assistance employees may need with their registration and reporting requirements.
- Review the equalisation policy for any necessary changes.

#### *Footnote:*

- 1 For further information, see: <https://www.ato.gov.au/Individuals/Study-and-training-support-loans/Overseas-repayments/> .

*For further information or assistance, please contact your local GMS or People Services professional, or one of the following professionals with the KPMG International member firm in Australia:*

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## **KPMG TaxWatch Webcast “The Taxation Challenges of a Mobile Workforce” on January 27, 2016, 2:00-3:00 p.m. (EST; GMT -5)**

KPMG's GMS practice is hosting a one-hour TaxWatch Webcast **“The Taxation Challenges of a Mobile Workforce”** on Wednesday, January 27, from 2:00-3:00 p.m. (EST; GMT-5). During the Webcast, GMS professionals will highlight the current challenges both global and U.S. employers face with respect to the monitoring and taxation of their global workforce. CPE credit is available to U.S. participants who meet the eligibility requirements.

For more information, please visit the [TaxWatch page](#) or [register now](#).

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