

Q *I have been working overseas for a while now and heard that I might have to pay back my University Loan even though I am overseas, is that true?*

A The Australian Government recently passed the legislation announced in the 2015 Federal Budget that now requires any Australian living abroad to declare their overseas income in order to assess their requirement to repay any university loans they may have.

Until now, if you were an Australian Expatriate you were not compelled to repay any accrued fees associated with your University education until you were working in Australia.

All Australians can benefit from our Higher Education Loan Program (HELP) which was previously called the Higher Education Contribution Scheme (HECS) which allows you to delay the cost of your University courses until you enter the workforce and start earning a reasonable income. Until the loan has been repaid, interest is charged on the outstanding balance at the equivalent rate of Australia's inflation rate which is usually much lower than prevailing lending rates.

For the 2015 Australian Tax Year, you were not required to start making repayments until your income was above A\$53,345.

As Expatriates did not have to report or pay tax on their salaries earned out of Australia, there was an anomaly that meant anyone working abroad got a prolonged deferral benefit even if they were earning substantially more than the repayment threshold.

This has now been altered effective 1st July 2017 to require Australians living abroad to declare their foreign income and have the HELP repayment based upon that in the same way as any other Australian who decided to remain at home.

There is a sliding scale that applies starting at 4% of your income once it is over A\$54,126 rising gradually to 8% of your income if you earn over A\$100,520. The percentage is your required repayment against the accrued debt during your studies, so once you have cleared the past debt then no further cost is incurred.

The other thing that many expatriates will need to be mindful of was a change in how any Property Negative

Gearing is treated as well. If you have a property in Australia running at a tax loss, then that cannot reduce your income when calculating the HELP repayment amount.

In order to the new rules require every Australian Expatriate to register with the Australian Taxation Office MyGov system which can be done online at www.mygov.gov.au. This needs to be done no later than 1st July 2017.

In this portal, you will be able to update your records and confirm your overseas salary so they can calculate the required HELP repayment. Repayments will begin from 1st July 2017 onwards based on your income earned from 1st July 2016 to 30th June 2017 from all sources, in and out of Australia.

For some expatriates, the inconvenience of this new reporting may make the option of paying off the past HELP Debt in larger voluntary payments. This may be an attractive option as not only do you relieve yourself of the reporting burden but you would be entitled to a 5% discount on any fees paid off with voluntary repayments, over and above your required repayments.

The aim of this change is to bring all Australians into the same rules and not permit an unfair advantage to those working abroad, on that basis we do not feel this is an excessive impost on Australia's large expatriate community.

If you need further assistance then you can visit the Australian Taxation Office website at www.ato.gov.au and search for "Higher Education Loan" or contact us to be sure you have a good handle on your obligations.

Steve Douglas is the co-founder and Managing Director of Australasian Taxation Services (ATS), established in Singapore in 1995. ATS provides specialist taxation services to people of any nationality investing in Australian property, as well as Australian expatriates living overseas. Areas of specialisation include the Australian taxation aspects of property investment, as well as expatriate and migration planning.