Inland Revenue
Te Tari Taake

Performance & Optimisation
55 Featherstone Street
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1 December 2017

Mr Robert McKenzie
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Dear Mr McKenzie

Thank you for your request made under the Official Information Act 1982 (OIA), received on 10 November 2017. You have requested the following information:

> **Question one**
> *What would happen to an offshore citizen if they returned to NZ to live after owing thousands of dollars in interest and penalties on a very old student loan?*
>
> **Question two**
> *Would their wages by stipend until the defaulted amount is payed off?*
>
> **Question three**
> *If this is the case and they had young children to support how would they survive if the IRD were to take all their income? Would the family be forced to live of welfare?*
>
> **Question four**
> *Secondly, what happens to a student loan once the borrower has reached retirement age and is no longer able to work? Does the Student Loan remain until death or is it cleared after a number of years.*

Please find responses to each of these questions below.

Question one

It is important to keep your contact details up to date with Inland Revenue so we can communicate with you effectively.

Inland Revenue advises all borrowers to make contact if they are leaving or have left New Zealand for more than six months. They should also contact us if they are returning to New Zealand after being overseas for more than six months.

If a borrower does not make contact when they return, Inland Revenue will attempt to contact the borrower to discuss their student loan and any debt, and how it will be paid. Inland Revenue takes into account the borrower's financial circumstances and works with the borrower to come up with a suitable plan. There are many options available for repayment of amounts in default including:

- payment in full
- lump sum payment and instalment arrangement
- instalment arrangement
- instalment arrangement for part of the debt and hardship relief for the remainder
- hardship relief for all of the debt.

Question two
Inland Revenue makes all efforts to contact the borrower but if we cannot, deductions from wages or other income sources may be used to recover the debt, and prompt contact from the borrower. Deductions from wages are limited to the lesser of 10% per week of the amount due or 20% of the salary or wage, to a minimum of $10 per week. If contact is made and a plan is put in place, deductions can be stopped.

Question three
If a borrower cannot be contacted or refuses to engage with Inland Revenue, deductions from wages or other income sources are applied as a last resort. Inland Revenue has options available if financial circumstances mean the borrower cannot meet their regular repayments or make payments towards a debt. Borrowers should make contact as soon as possible if they are experiencing financial difficulty.

Question four
There are three ways a student loan can be cleared:

- borrower pays it in full
- borrower is made bankrupt in New Zealand
- borrower is deceased.

If a borrower is living in New Zealand, repayments are based on their annual income from all sources. If their annual income from all sources is over the repayment threshold of $19,136, borrowers receiving income from New Zealand Superannuation are liable to repay their student loan.

Any borrower with annual income over the repayment threshold is required to repay their student loan at a rate of 12% for every dollar of income over that amount. It can be deducted at source via an employer, income-tested benefit, student allowance or New Zealand Superannuation. If a borrower is self-employed or earns income from other sources, they need to make their own student loan repayments. They can make regular payments throughout the year or once they have filed a tax return at the end of the year.

If a borrower's total annual income is below $19,136, they will not be required to make repayments to their loan.

Overseas-based borrowers' repayments are based on their loan balance as at 31 March each year. Each year, Inland Revenue works out the overseas-based borrower's repayment amount and advises the borrower. The repayments are split into two instalment dates - 30 September and 31 March.

If an overseas-based borrower cannot afford to make the repayments, Inland Revenue may be able to reduce the repayment amount to an amount that is affordable.

Thank you for your request. I trust that the information provided is of assistance to you.

Yours sincerely

Sara Engel

Sara Engel
Principal Advisor
Business Owners Team