

Budget update 2017/18

10 May 2017

How will the Budget affect you?

The Government played a pretty straight bat with this year's Federal Budget, sticking closely to its pre-Budget announcement themes of infrastructure and housing affordability. On the whole, the proposed changes were expected and mostly welcome in a Budget that Treasurer Scott Morrison described as being about making the "right choices" and being "fair and responsible".

A summary of the key points from the Budget that may affect your financial situation is provided below. Please remember that these are proposals only and are subject to the passing of legislation.

Key points:

- > the Pensioner Concession Card will be returned to those people who lost it following the 1 January 2017 changes to the assets test
- > those over 65 years of age are able to contribute up to \$300,000 to super from the sale of the family home
- > tax deductions for travel expenses relating to rental properties ceased
- > the Temporary Budget Repair Levy will cease from 1 July 2017
- > First Home Super Saver Scheme of up to \$30,000 for first home buyers.



Super

Contribute the proceeds of downsizing to super

From 1 July 2018, if you are over age 65 and sell your family home, you may have the opportunity to make a one-off contribution of up to \$300,000 to your super. You will not be required to meet the work test and the normal after-tax contribution limit will not apply. To qualify, you must have lived in the home as your main residence for at least ten years. If your home is owned jointly as a couple, each of you will be able to contribute up to \$300,000 to your super.



Taxation

Medicare Levy Rate increases

From 1 July 2019, the Government will increase the Medicare Levy by half a per cent from 2.0 to 2.5 per cent. This is to ensure the National Disability Insurance Scheme is fully funded and to future-guarantee the Medicare system.

Low-income earners will continue to receive relief from the Medicare Levy through the low-income thresholds for singles, families, seniors and pensioners. The current exemptions from the Medicare Levy will also remain in place.

Temporary Budget Repair Levy ceases

If you are a high income earner, the Budget Repair Levy has not been extended and ceases from 1 July 2017.

Disallow the deduction for residential rental property travel expenses

From 1 July 2017, if you have a residential rental property, you will no longer be able to claim tax deductions for travel expenses related to inspecting, maintaining or collecting rent. Additionally, the rules around claiming depreciation will change so that deductions for plant and equipment will only be allowed where an expense has actually been incurred by you.

This change will not prevent you from engaging third parties such as real estate agents for property management services. These expenses will remain deductible.



Social Security

Reinstatement of the Pensioner Concession Card

The Government plans to re-issue the Pensioner Concession Card if you lost your entitlement as a result of the asset test changes introduced from 1 January 2017.

New activity requirements from 20 September 2018

The following changes may affect you if you receive income support from the government:

- > Participation requirements for people aged between 30 to 49 will align with those aged under 30. This means the activity requirement will increase from 15 hours to 25 hours per week.
- > Recipients aged 55 to 59 will only be able to meet their participation requirements with 50 per cent volunteer activities. Currently 100 per cent of their participation requirements can be met via volunteering
- > Recipients aged between 60 and Age Pension age are required to meet a 5 hours per week activity requirement, but this can be met through volunteering. Currently the activity requirement is 15 hours per week.

Energy Assistance Payment

The Government will make a one-off Energy Assistance Payment in 2016/17 financial year of \$75 for singles and \$125 per couple for those eligible for qualifying payments on 20 June 2017 and who are residents in Australia.

Qualifying payments include the Age Pension, Disability Support Pension, Parenting Payment Single, the Veterans' Service Pension and the Veterans' Income Support Supplement, Veterans' disability payments, War Widow(er) Pension, and permanent impairment payments under the Military Rehabilitation and Compensation Act 2004 (including dependent partners) and the Safety, Rehabilitation and Compensation Act 1988.

Tougher penalties for deliberate non-compliance by job seekers

The Government plans to introduce a new Jobseeker Compliance Framework, which would include tougher penalties for deliberate failure by Jobseekers to meet their Work for the Dole requirements via a demerit style system.



Housing

First Home Super Saver Scheme

From 1 July 2017, super can be used to assist with saving for a first home. If you're saving for your first home you can make voluntary contributions to super – taking advantage of the tax benefits of super – and then withdraw the money to buy your first home.

You can contribute up to \$15,000 per year (from both pre and post income tax money) reaching a total of \$30,000 under the scheme. Earnings can be withdrawn along with the contributions when a home is purchased.

On withdrawal, concessional contributions and earnings will be taxed at the individual's marginal tax rate, less a 30 per cent tax rebate. Non-concessional contributions are withdrawn tax-free. First Home Super Saver accounts are created on an individual basis – meaning each member of a couple can have their own account. Importantly, the release of funds to purchase a home will not count as income for certain tests, such as HELP/HECS repayments, family tax benefits or child care benefits.

Capital gains tax changes for foreign investors

Foreign investment in housing will be made more expensive and more difficult by:

- > denying access to the CGT main residence exemption
- > introducing a charge where the property is not occupied, or available for rent, for at least six months per year
- > increasing the CGT withholding rate from 10 per cent to 12.5 per cent, from 1 July 2017
- > reducing the CGT withholding threshold from \$2 million to \$750,000, from 1 July 2017.

Capital gains tax discount changes for affordable housing

From 1 January 2018, the Government will increase the capital gains tax discount, from 50 per cent to 60 per cent, for Australians who invest in qualifying affordable housing. To qualify, housing must be provided to low to moderate income tenants, with rent charged at a discount below the private rental market rate.

The affordable housing must be managed through a registered community housing provider and the investment held for a minimum period of three years.

For more information, please call us on
(08) 8373 3333