



2017/2018 BUDGET UPDATE

Residential Property Investors

- Division 40 (Plant & Equipment) included in the purchase price of the property, a depreciation deduction will not be allowed for properties purchased after 7.30pm (AEST) 9 May 2017.

Costs incurred in fixing/replacing Plant & Equipment after settlement can still be depreciated.

Grandfathering provisions will apply to property investors who purchased the property prior to 7.30pm (AEST) 9 May 2017.

- From 1 July 2017, a deduction for travel from your home to your rental property for inspections, maintenance or rent collection will not be allowed.

Medicare

From 1 July 2019, the Medicare Levy will increase by 0.5% to 2.5%.

Low income threshold increase:

Singles	\$21,655
Families	\$36,541
Single seniors and pensioners	\$32,244
Family Threshold seniors and pensioners	\$47,670

*The threshold will increase by \$3,356 for each dependent child or student.

HECS-HELP

From 1 July 2018, minimum threshold of \$42,000 with a 1% compulsory repayment rate.

The maximum threshold will be \$119,882, with a 10% compulsory repayment.

Small Business

The temporary measure of allowing small businesses to immediately write off assets costing less than \$20,000 has been extended by a further 12 months until 30 June 2018. This applies to businesses with an annual turnover of less than \$10 million.

Housing Affordability

First Home Buyers (First Home Super Savers Scheme)

From 1 July 2017, first home buyers allowed making voluntary superannuation contributions to save for home deposit.

- Maximum of \$15,000 per year up to a total of \$30,000 for the deposit
- Contributions can be concessional or non-concessional and must be within the current caps
- Concessional contributions will attract a contributions tax of 15% in the fund

From 1 July 2018,

- Contributions made plus earnings associated can be withdrawn from the fund
- Concessional contribution withdrawals will be taxed at taxpayer's marginal tax rate less a 30% tax offset
- Non-concessional contribution withdrawals will be tax-free

Individuals Aged 65 and over

From 1 July 2018,

- Individuals can make a non-concessional contribution of up to \$300,000 from the proceeds of selling their Principal Place of Residence (PPR)
- This non-concessional contribution is in addition of the existing caps
- Exempt from Age/Work Test and \$1.6Million Dollar Balance Test
- Property must have been a PPR for a minimum of 10 years

*Impact on Age Pension i.e. Assets Test is not clear at present, more details to follow upon receiving clarification

Capital Gains Tax

Foreign/Temporary Residents

- No access to CGT main residence exemption from 7:30pm (AEST) on 9 May 2017. Existing holdings will be grandfathered until 30 June 2019.
- Increase CGT withholding rate for foreign tax resident from 10% to 12% from 1 July 2017.
- Exclusion threshold for CGT from \$2million to \$750,000 from 1 July 2017.

Investors Providing Affordable Housing

From 1 January 2018,

- CGT discount increased from 50% to 60%
- Housing must be provided to low income earners
- Rent charged must be lower than market value
- House must be registered under registered community housing provider
- Investment held for a minimum period of 3 years