

Federal Budget 2017/18 Fast Facts Private Clients



What did we deduce?

The big winners are property investors who will continue to benefit from negative gearing and the 50% discount on capital gains tax on disposal.

Kids are still likely to need financial support by their parents to fund their first home.

The key takeouts are:

Housing Affordability and Superannuation Changes

- Major reform for housing affordability with multiple measures including allowing first home owners access to their voluntary superannuation contributions up to \$15,000 per year and \$30,000 in total. The voluntary contributions must not exceed the existing concessional caps (\$25,000 from 1 July 2017). Withdrawals will be allowed from 1 July 2018 onwards and will be concessional tax by providing a 30% offset against your marginal tax rate. The new measure is designed to assist first home buyers by potentially funding up to 30% of their deposit from super savings.
- Allowing a person aged 65 years or older to contribute \$300,000 as a non-concessional contribution into their superannuation fund from the proceeds of their home. The new non-concessional contributions will not be subject to the current non-concessional caps in place and will be exempt from the existing age test, work test and \$1.6 million balance test for making non-concessional contributions. The measure will only apply if you owned your home for 10 years or more. The contribution is on a per member basis, meaning couples who sell their home can contribute up to \$600,000. The new measure will take effect from 1 July 2018.
- An increased Capital Gains Tax Discount of 60% will apply to eligible affordable Housing. Refer to the Property Fast Facts Sheet for more information on this measure.

ShineWing Australia
Budget Rating:



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Medicare Levy

- An increase to the Medicare levy to 2.5% (increase of 0.5%) effective 1 July 2019. The increase is designed to fund the NDIS and guarantee Medicare.
- Low income earnings will not be affected by the Medicare levy increase as the Government will also increase the Medicare levy low-income thresholds. This measure is likely to exempt most seniors on Government pensions where their annual income is below \$47,670.

Negative gearing

- The Government has continued to leave this unchanged.
- Small changes to the rules are mainly integrity measures. The changes are proposed to remove the entitlement to claim a deduction for travelling to inspect rental properties and limit the equipment depreciation deduction to those items actually incurred by the investor.

What does this mean for you:

- The housing affordability initiatives will benefit the first home buyer by providing tax concessions on savings for a housing deposit, although the contribution limits are modest and likely only benefit the low and middle income earners. High income earners will not be able to make extra contributions as they will reach their concessional cap of \$25,000 through the minimum 9.5% super guarantee.
- Retirees who are looking to downsize will benefit by allowing part of their cash proceeds to be invested into the low taxed superannuation environment.
- Clients will still benefit from negative gearing, however those with children looking to enter the housing market may still need a handout from Mum and Dad as whilst the saving incentive is helpful, it will not substantially swing housing affordability for first home buyers.
- Investors will no longer be able to claim their holidays to Noosa to inspect their rental property!