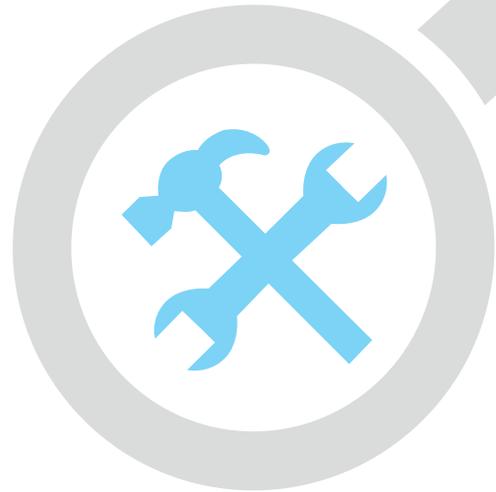


Federal Budget 2017/18 Fast Facts Property & Construction



What did we deduce?

This year's Federal Budget has a significant policy focus on housing affordability. The government have used this as their platform to announce a number of changes that aim to improve access to housing for Australians. However, these changes come at a cost and yet again foreign investors are picking up the tab.

The key takeouts are:

Major changes for housing affordability

- The first home owner super saver scheme.
- Superannuation concession for retirees looking to downsize.
- Allowing managed investment trusts to invest in affordable housing.
- Providing a 60% CGT discount for qualifying affordable housing.

Tax Changes impacting foreign investors

- The abolition of the CGT main residence exemption for foreign and temporary residents.
- A reduction in the foreign resident CGT withholding tax threshold from \$2,000,000 to \$750,000, and an increase to the withholding tax rate itself to 12.5%.
- An annual vacancy charge on foreign investors who leave a property vacant for more than 6 months.

A reduction on residential property development

As expected, there were no changes to negative gearing or the 50% CGT discount.

Instead the Federal government has sought to reduce rental property deductions by:

- Abolishing deductions for travel costs for residential rental property investments.
- Limiting depreciation deductions on residential property to new assets only.

Restricting foreign ownership in new residential developments

- The government is also proposing to limit foreign investors' access to new residential property by implementing a 50% foreign purchaser cap on any new residential development. This will impact residential property developments making applications for New Dwelling Exemption Certificates after Budget Night.

GST: Administrative Changes for Developers

The government has announced administrative changes they say will strengthen the compliance and collection of GST on the sale of newly constructed residential property. From 1 July 2018, purchasers will be required to remit the GST directly to the ATO as part of settlement.

What does this mean for you:

Overall, we think the budget changes will have a minimal impact on housing affordability, but will instead increase the cost for foreign residents investing in Australian residential property.

ShineWing Australia
Budget Rating:



Too
taxing.

Doesn't
add up,
Watson.

Elementary!