

# Avant's 2017 -2018 Federal Budget Summary

..... and what it means to you.



**AVANT**  
FINANCIAL SERVICES

## Overview

The Hon Scott Morrison MP handed down his second Federal Budget on the 9th of May 2017.

Pleasingly, and unlike last year, superannuation has largely been left alone. The main changes involve allowing people aged 65 and over to downsize their home and gain exemptions from the superannuation caps, and also a 'First Home Super Saver Scheme'. Both are pretty good ideas.

On the whole though, it is a nothing budget. Certainly, there has been no movement to tackle the growing deficit which is forecast to reach \$725 billion by 2025, but in all likelihood will be pushing the \$1 trillion mark. The politically expedient option of leaving the debt problem to future generation continues.

**Please note, all the announcements still need to pass through Parliament; until then they can be viewed as merely a statement of intent.** In addition, the devil is always in the detail, and the details aren't yet fully known.

"The younger generations have no idea how they're being done over"

- Saul Eslake  
(economist)

# Contents

Superannuation & Pensions .....	4
First Home Super Saver Scheme .....	4
Home downsizing and contributing to super .....	4
Taxation .....	5
Medicare Levy .....	5
Higher Education Loan Program .....	5
Property investment .....	5
Foreign property investors .....	5
Small Business .....	6
Small business asset write-off .....	6
Social Security .....	6
Electricity payment for pensioners .....	6
Residency requirements for pensions .....	6
Pensioner concession card .....	6

# Superannuation & Pensions

## First Home Super Saver Scheme

From 1 July 2017 first-home buyers will be able to make voluntary contributions to super and withdraw them, along with some of the associated earnings, to purchase their first home. Up to \$15,000 p/a, and \$30,000 in total, can be contributed, however the existing contribution caps remain.

COMMENT: This may present a decent opportunity for those seeking to buy their first home. Members of a couple could both use the scheme in order to double the amounts. It is unfortunate that withdrawals, permitted from 1 July 2018, will be taxed at the marginal tax rate with a 30 per cent offset applied.

## Home downsizing and contributing to super

From 1 July 2018, people over the age of 65 will be able to contribute up to \$300,000 of the proceeds from the sale of their home into super. These contributions will be in addition to those currently permitted under existing rules and caps, and they will be exempt from the existing age test, work test and even the \$1.6 million balance test. The home must be the principal place of residence for 10 years or more.

COMMENT: It is excellent news that couples can now get \$600,000 extra into super under this proposal. I am sure it will lead to a number of strategies for when no downsizing actually occurs but people simply move to an equivalent house. There will be Centrelink implications for some people.

# Taxation

## Medicare Levy

From 1 July 2019 the medicare levy is proposed to increase to 2.5%. This is a 0.5% increase.

COMMENT: A tax increase. For a worker on \$80,000 it equates to \$400 less in their bank account.

## Higher Education Loan Program

From 1 July 2018, the government proposes to lower the income threshold at which student debt must be repaid from \$55,874 to \$42,000. The rate at which repayments must be made will increase with income from 4 per cent up a maximum of 10 per cent of income for those earning more than \$119,881.

## Property investment

From 1 July 2017 it is proposed that expenses incurred in travelling to inspect and maintain residential investment properties will no longer be deductible. Furthermore, plant and equipment depreciation on residential property is proposed to be limited to the actual outlay incurred for properties purchased from Budget night.

Conversely, the Capital Gains Tax (CGT) discount on certain affordable investment properties is proposed to be increased to 60 per cent from July 1, 2018. In order to benefit from this concession, conditions would need to be met. These include: • Rent must be charged at a discount to the market rate; • The housing must be managed through a community housing provider; and • The investment must be held for at least three years.

## Foreign property investors

A number of proposals were made in relation to foreign investors in Australian residential property.

To encourage foreign owners to make their properties available for rent, a charge will be imposed if the property is left unoccupied for six months or more a year. This is to take effect on investment applications made from Budget night.

The CGT main residence exemption for foreign and temporary tax residents will cease. This will take effect from Budget night but existing properties will be grandfathered until 30 June 2019.

The CGT withholding rate to will increase from 10% to 12.5%.

A 50% cap on foreign ownership in new developments will occur.

## Small Business

### Small business asset write-off

Businesses with a turnover of less than \$10 million will be able to immediately write off depreciating assets up to \$20,000.

From 1 July 2018 it is proposed the \$20,000 limit reverts to the previous \$1,000.

## Social Security

### Electricity payment for pensioners

From 20 July 2017, those in receipt of eligible Centrelink payments will receive a one-off payment to assist with the rising cost of electricity. The payment is proposed to be \$75 for singles and \$125 for couples (combined).

### Residency requirements for pensions

From 1 July 2018, claimants of the Age Pension and Disability Support Pension (DSP) will be required to meet one of the following requirements:

- Have 15 years of continuous residence in Australia.
- Have 10 years of continuous residence in Australia, with five years of this period being during their working life. Working life extends from 16 to Age Pension age.
- Have 10 years of continuous residence in Australia without having received an activity tested income support payment for a total of five years.
- Have become disabled in Australia (DSP only).

### Pensioner concession card

The pensioner concession card will be reinstated for those who lost their pension as a result of the assets test changes that came into effect from January 1, 2017.



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