The Budget 2017/2018

Taxation

Major bank levy

From 1 July 2017, a major bank levy will be imposed on Authorised Deposit-taking Institutions (ADIs) with licensed entity liabilities of at least $100 billion. The threshold will be indexed in line with nominal gross domestic product. The levy will be calculated quarterly as 0.015% of an ADI's licensed entity liabilities for an annualized rate of 0.06%.

Increase in Medicare levy

From July 2019, the Medicare levy will increase by half a percentage point from 2.0 to 2.5 % of taxable income. Other tax rates that are linked to the top personal tax rate, such as the fringe benefits tax rate, will also be increased.

Indexation of Medicare levy thresholds

The threshold for singles will be increased to $21,655. The family threshold will be increased to $36,541 plus $3,356 for each dependent child or student. For singles senior and pensioners, the threshold will be increased to $34,244. The family threshold for senior and pensioners will be increased to $47,670 plus $3,356 for each dependent child or student.

This applies for the 2016-2017 financial year.

Lower threshold for HELP debt repayments

From 1 July 2018, a new minimum threshold of $42,000 will be established with a 1% repayment rate and a maximum threshold of $119,882 with a 10% repayment rate.

Expanding tax incentives for investments in affordable housing

From 1 January 2018, the Government will provide an additional 10 percentage points (10%) capital gains tax discount, increasing the discount from 50% to 60%, to resident individuals who elect to invest in qualifying affordable housing.
To qualify for higher discount, 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.

Disallow certain deductions for residential rental property

From 1 July 2017, the Government will disallow deductions for travel expenses related to inspecting maintaining or collecting rent for residential rental property.

Also, plant and equipment depreciation deductions will be limited to outlays actually incurred by the investors in residential real estate properties. These changes will apply on the prospective basis, with existing investments grandfathered. Plant and equipment forming part of residential investment properties as of 9 May 2017 (including contracts already entered into at 7:30PM (AEST) on 9 May 2017) will continue to give rise to deductions for depreciation until either investor no longer owns the asset, or the asset reaches the end of its effective life. Subsequent owners will no longer be able to claim deductions for plant and equipment purchased by its previous owner.

Small Business depreciation

The Government will extend by 12 months to 30 June 2018 the ability for businesses with aggregated annual turnover less than $10 million to immediately deduct purchases of eligible assets costing less than $20,000, first used or installed ready for used by 30 June 2018.

Assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool (the pool) and depreciated at 15% in the first income year and 30% each income year thereafter. The pool can also be immediately deducted if the balance is less than $20,000 over this period (including existing pools).

Improving the small business capital gains tax concessions

From 1 July 2017, the small business capital gains tax (CGT) concessions will be amended to ensure that the concessions can only be accessed in relation to assets used in a small business or ownership interests in a small business.

Capital gains tax changes for foreign investors

From 7:30 (AEST) on 9 May 2017, Australia's foreign resident capital gains tax (CGT) regime will be extended to deny foreign and temporary tax residents access to the CGT main residence exemption. However, existing properties held prior to this date will be grandfathered until 30 June 2019.

From 1 July 2017, there will be an increase in the CGT withholding rate foreign tax residents from 10.0% to 12.5%, and a reduction of the CGT withholding threshold from 2 million to $750,000.

Also from 7:30 (AEST) on 9 May 2017, the integrity of the foreign resident CGT regime will be improved by applying the principal asset test on an associate inclusive basis, for foreign tax residents with indirect interests in Australian real property. This will ensure that foreign tax residents cannot avoid a CGT liability by disaggregating indirect interests in Australian real property.

Superannuation

Superannuation is 'to provide income in retirement to supplement the Age Pension' and this will look to be enshrined in legislation. The new measures are intended to support this objective.

Below is a detailed summary of the superannuation changes

Contribution the proceeds of downsizing to superannuation for older Australians

From 1 July 2018, a person aged 65 or over will be able to make a non-concessional contribution of up to $300,000 from the proceeds of selling their home. These contributions will be in addition to those currently allowed under the existing rules and caps and will be exempt from the existing age test, work test and the $1.6 million balance test for making non-concessional contributions.

* This measure will apply to sales of a principal residence owned for the past 10 or more years and both members of a couple will be able to take advantage for the qualifying home. *

First home super save scheme

To encourage home ownership, voluntary contributions to superannuation made by first home buyers from 1 July 2017 to be withdrawn for a first home deposit, along with associated deemed earnings. Concessional contributions and earnings that are withdrawn will be taxed at marginal rates less a 30% offset.

Under the measure, up to $15,000 per year and $30,000 in total can be contributed (within existing contribution caps). Contributions can be made from 1 July 2017. Withdrawals will be allowed from 1 July 2018 onwards. Both members of a couple can take advantage of this measure to buy their first home together.

Limited Recourse Borrowing Arrangements (LRBA)

From 1 July 2017, the Government will improve the integrity of the superannuation system by including the use of the limited recourse borrowing arrangements (LRBA) in a member's total superannuation balance and transfer balance cap.

Non-arm's length arrangements

The non-arm's length income provisions will be amended to ensure expenses that would normally apply in a commercial transaction are included when considering if the transaction is on a commercial basis.

Social security

Family Day Care

From 13 March 2017, family day care educators are no longer eligible to receive Commonwealth child care fee assistance for child care provided to children aged 14 years or older, or children who attend secondary school, unless an exemption applies. The changes will also set a maximum hourly subsidy rate of $12.67 per hour for the Grandparent Child Care Benefit and the Special Child Care Benefit.

Child Care Subsidy – upper income threshold

From 2018-2019 the new Child Care Subsidy will be available only to families with incomes below $350,000 per annum (in 2017-2018 terms). The upper income threshold of $350,000 per annum will be indexed annually by CPI from 1 July 2018.

Jobseekers

Refocus Work for the Dole and introduce a new Jobseeker Compliance Framework that strengthens penalties for deliberate non-compliance while providing additional help from genuine job seeks to meet their requirements.

The new Framework will include a Personal Responsibility Phase where each failure without a reasonable excuse will result in payment suspension until re-engagement, and accrual of demerit points. Individuals who accrue four demerits in six months will enter a three-strike Intensive Compliance Phase, in which they will face escalating penalties.

They will:

- Lose 50% of their fortnightly payment for their first strike without a reasonable excuse;
- Lose 100% of their fortnightly payment for their second strike; and
- Have their payment cancelled for four weeks for their third strike,

Family Tax Benefit Part A & Part B

From 1 July 2018, implement a consistent 30 cents in the dollar income test taper for the Family Tax benefit Part A families with a household income in excess of the Higher Income Free Area (currently $94,316).

The increase to the maximum rate of Family Tax Benefit (FTB) Part Am which has announced as part of the 2015-2016 MYERO measure, will not proceed.

From 1 July 2018, families who do not meet the No Jab No Pay and Healthy Start for School requirements will have around $28 per child withheld from their fortnightly rate of FTB Part A.

Also, the current FTB payment rates will be maintained for two years at their current levels from 1 July 2017. Indexation of the FTB payment rates will resume on 1 July 2019.

Energy Assistance Payment

There will be a on-off Energy Assistance Payment in the 2016-2017 of $75 for single recipients and $125 per couple for those eligible for qualifying payments on 20 June 2017 and who are resident 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 Rehabilitation and Compensation Act 2004 (including dependent partners) and the Safety. Rehabilitation and Compensation Act 1988.

Pensioner Concession Card - reinstatement

The Pensioner Concession Card will be re-instated for pensioners who were no longer entitled to the pension following changes to the pension assets test from 1 January 2017.

Residency Requirements for Pensioners

From 1 July 2018, claimants will be required to have 15 years of continuous Australian residence before being eligible to receive the Age Pension or Disability Support Pension unless they have either:

- 10 years' continuous Australian residence, with five years of this residence being during their working life (16 years of age to Age Pension age); or
- 10 years' continuous Australian residence, without having received an activity tested income support payment for cumulative period for five years.

Liquid Assets Waiting Period – increasing the waiting period

The maximum Liquid Assets Waiting Period will increase from 13 weeks to 26 weeks from 20 September 2018 when a claimant's liquid assets are equal to or exceed $18,000 for singles without dependants or $36,000 for couples and singles with dependants.

Other Announcements

Affordable housing through Managed Investments Trusts

The Government will encourage investment into affordable housing by enabling Managed Investment Trusts (MITs) to invest in affordable housing. In order for investors to receive concessional taxation treatment through a MIT, the affordable housing must be available for rent for at least 10 years.

The MIT will be able to acquire, construct or redevelop the property but must derive at least 80% of its assessable income from affordable housing. Qualifying housing must be provided low to moderate income tenants, with rent charged at a discount below the private rental market rate. This measure will apply from income years starting on or after 1 July 2017.

Annual charge on foreign owners of underutilised residential property

The Government will introduce a charge on foreign owners of residential property where the property is not occupied or genuinely available on the rental market for at least six months per year. The charge will be levied annually and will be equivalent to the relevant foreign investment application fee imposed on the property at the time it was acquired by the foreign investor

More information

If you would like to discuss with us further how this budget may impact you specifically, please contact our office as noted below.

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