

On 9 May 2017, The Hon. Scott Morrison MP, delivered the Federal Budget for 2017-18. Following is our summary of the key business, tax and superannuation points impacting you. Please bear in mind that the following budget announcements still need to be passed by both the House of Representatives and Senate before they become law.

PERSONAL TAX



Increase in Medicare Levy by 0.5%

From 1 July 2019, the Medicare Levy will increase by 0.5% to 2.5% of taxable income. The increase ensures the National Disability Insurance Scheme (NDIS) is fully funded.

Reduced residential property deductions - Depreciation

Applying to all rental properties acquired after 7:30pm on 9 May 2017 (Budget night), depreciation deductions for plant and equipment (e.g. dishwashers and fans) will be limited to outlays actually incurred on the property. Investors will only be able to claim a depreciation deduction for items of plant and equipment they actually purchased.

Grandfathering will apply to all properties acquired prior to 9 May 2017 – depreciation can still be claimed for these properties.



Reduced residential property deductions – Travel expenses

From 1 July 2017, you will no longer be able to claim expenses for travelling to or from your investment property for the purposes of inspecting, maintaining or collecting rent.

BUSINESS

Extension of the immediate deduction threshold for small businesses

The government will extend the \$20,000 accelerated depreciation deduction rules for small businesses by a further 12 months to 30 June 2018.

As previously announced, this will apply to small businesses with a turnover up to \$10m (previously \$2m).

SOCIAL SECURITY

Pensioner Concession card reinstatement

From 9 October 2017, the government will reinstate the Pensioner Concession Card (PCC) for former pensioners who lost their Age Pension as a result of the 1 January 2017 Age Pension changes.

Energy Assistance Payments

From 26 June 2017, the government will make a one-off Energy Assistance Payment of \$75 for single recipients and \$125 per couple for those eligible to receive various qualifying payments including Age Pension, Disability Support Pension and a Parenting Payment Single.

Child Care Subsidy limited

From 1 July 2018, the Child Care Subsidy will be limited to families with income below \$350,000 per annum.



SUPERANNUATION

Encouraging the over 65s to downsize

From 1 July 2018, individuals aged 65 and over will be able to make an after-tax super contribution up to \$300,000 (\$600,000 for couples combined) from the proceeds of the sale of their home. The home must have been held for more than 10 years.

First Home Buyers to use super contributions to save for a deposit

To reduce pressure on housing affordability the government will allow voluntary superannuation contributions to be withdrawn for a first home deposit.



PREVIOUSLY ANNOUNCED CHANGES FROM 1 JULY 2017

PERSONAL TAX

Expiration of Budget Repair Levy from 30 June 2017

The 2% Temporary Budget Repair Levy, introduced by Joe Hockey as part of the 2014/15 Budget is set to expire at the end of the 2016/17 financial year and has not been extended by this year's budget.



BUSINESS

Company tax changes (Enterprise Tax Bill)

This revised Bill contains the following:

- An increase to the aggregated turnover threshold to \$10m for access to small business tax concessions from 1 July 2016.
- Progressive company tax rate reductions including a reduction to 27.5% for the 2016/17 financial year for all companies with an aggregated turnover less than \$10m.
- An increase in the unincorporated small business tax discount to 8% (capped at \$1,000) from 1 July 2016.

At the time of writing, this Bill had passed through the Senate and will now go back to the House of Representatives where the government holds a majority (expected to pass before 30 June 2017).

SUPERANNUATION

Reduced concessional contributions cap from 1 July 2017

From 1 July 2017, the Government will reduce the annual concessional contributions cap to **\$25,000 for all individuals**. *If you have a current salary sacrifice arrangement in place with your employer, we recommend you review this before 30 June 2017 to ensure you do not exceed the reduced caps.*

Tax deductions for personal contributions from 1 July 2017

From 1 July 2017, anyone under the age of 65 will be able to claim an income tax deduction for personal superannuation contributions, regardless of their employment arrangements.

Taxing earnings on assets supporting a Transition to Retirement Income Stream from 1 July 2017

From 1 July 2017, the government will remove the tax exemption on earnings of assets supporting Transition to Retirement Income Streams ('TRIS'), being income streams of individuals over preservation age but not retired. Earnings from assets supporting a TRIS will be taxed at 15%.

Other Superannuation changes

For further details on these and other superannuation changes effective 1 July 2017, look out for our 'Superannuation

Newsletter' in early June. To subscribe, go to <http://hcpartners.com.au/subscribe/> or contact us for a printed copy.

Important: This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from a financial planner and seek tax advice from a registered tax agent. Information is current at the date of issue and may change.