

# 2017 FEDERAL BUDGET HIGHLIGHTS

The recent federal budget included several changes to taxation, social security and superannuation we have summarised the key announcements below:

## Business Taxation

### Extending the \$20,000 instant asset write-off by another 12 months

The government will extend the current \$20,000 instant asset write-off available for small business entities by 12 months to 30 June 2018.

The small business entity threshold is proposed to be increased from \$2 million to \$10 million for the 2017 income tax year and is proposed to be \$25 million for the 2018 income tax year.

After 30 June 2018 (i.e. from 1 July 2018) the immediate deductibility threshold will revert back to \$1,000 (as opposed to the current \$20,000) and the so-called "lock-out" rules will apply again.

### Extension of taxable payments reporting system to contractors in the courier and cleaning industries

The Government proposes to extend the taxable payments reporting system (TPRS) – that currently applies only to the building and construction industry – to contractors in the courier and cleaning industries from 1 July 2018 and first annual statement is due in August 2019.

## Personal Taxation

### Increase in Medicare Levy

From 1 July 2019, it is proposed that the Medicare levy will increase by 0.5% from 2.0% to 2.5% of taxable income to fund the National Disability Insurance Scheme (NDIS). Current Medicare levy is 2.0% which includes 0.5% for the NDIS. Other taxes linked with the top personal tax rate such as FBT, will also be increased

### Medicare Levy Thresholds

The 2017 Medicare levy low income threshold for individuals will be increased to \$21,655 and families to \$36,541 plus \$3,306 for each child

### Budget Repair Levy

Confirmation that the the 2.0% Budget Repair for high income earners disappears on 30 June 2017. This levy was originally imposed on the 1st July 2014 on taxable incomes above \$180,000

### Tax Rates which apply from the 1st July 2017:

Taxable Income Thresholds	Tax Rates including Medicare
\$0 - \$18,200	Nil
\$18,001 - \$37,000	21.0%
\$37,001 - \$80,000	34.5%
\$80,000 - \$180,000	39.0%
\$180,000 plus	47.0%

### Travelling Expenses to Rental Properties

From the 1st July 2017 traveling expenses undertaken in the course of inspecting, repairing, maintaining or collecting rent on a residential rental property will no longer be tax deductible. Therefore, any inspection trips should be undertaken before 30 June to achieve tax deductibility for the trip.

### Depreciable Assets for Rental Properties

For residential rental properties acquired after the 9th May 2017, depreciation can only be claimed for depreciable assets purchased by the owner. No depreciation can be claimed on ovens, hot water systems, carpets, blinds, solar panels, furniture and light fittings that have been included in the properties purchase price.

### Depreciable Assets for Rental Properties

From 1st July 2017, the withholding tax rate for foreign investors selling Australian property will increase from 10% to 12.5% and the property selling threshold will reduce from \$2 million to \$750,000. Australian buyers of property will need to be aware of these changes because they may be required to withhold tax at the new rate for properties purchased from foreign investors.

### First Home Super Saver Scheme

The Government intends to allow first home buyers to make salary sacrificed or personal concessional contributions into superannuation that can be used towards a deposit for their first home. A maximum of \$15,000 can be contributed each year but this must be within the concessional superannuation contribution limit of \$25,000 and there is a maximum \$30,000 total benefit that can be accumulated.

On withdrawal, these funds will be taxed at marginal tax rates less a 30% tax offset. It is estimated that the overall net tax benefit of doing this strategy is around \$4,500 per taxpayer which could be doubled for a couple.

This proposal applies to contributions from 1 July 2017. Withdrawals from superannuation funds may only be made from 1 July 2018.

## Superannuation

### Super Contribution on Downsizing your Home

Individuals over 64 years of age will be able to make a non-concessional superannuation contribution of a maximum of \$300,000 from the proceeds of selling their home. The principal residence must be owned for at least 10 years. Both members of a couple will be eligible for this measure which applies from 1 July 2018.

The existing age and work tests do not apply when making this non-concessional contribution and this non-concessional contribution will also not be affected by the \$1.6m member balance test, the \$100,000 per annum non-concessional contribution cap or the \$300,000 bring-forward cap applicable from 1 July 2017.

### Limited Recourse Borrowing Arrangements in Superfunds

Limited Recourse Borrowing Arrangements (LRBAs) in a superannuation member's account will be included within the \$1.6 million caps which were introduced in the 2016 Budget as part of the wider changes to superannuation. This proposal applies from 1 July 2017

If you are interested in an obligation free interview to discuss the effects of the budget on your business or to see if a self-managed superannuation fund could suit you, please call Enright Holmes Chartered Accountants today on 6686 4744.



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