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Federal Budget Summary 2017-18

- Budget deficit at $29.4b for the FY18
- GDP forecast growth at 2.75% for FY18 and 3.0% for FY21 (largely flat)
- CPI forecasts to remain in the 2 – 3% p.a. range (preferred RBA bandwidth)
- Unemployment forecasts to remain steady in the 5% range

Budget Measures

- **Government to fund $75b over 10 years for infrastructure**:
  - to invest $5.3b over 10 years for the 2nd Sydney airport
  - to establish a $10b National Rail Programme
- **Medicare levy increase to 2.5%**: to ensure the National Disability Insurance Scheme (NDIA) is fully funded (increased by 0.5%) (From 1 July 2019)
- **Personal tax rates - no change**: NOTE Current 2% Budget deficit levy to end on 30 June 2017.
- **Introduce a new foreign worker levy to raise $1.2b over 4 years**: From March 2018, businesses that employ foreign workers on certain skilled visas will be required to pay a levy that will provide revenue for a new Skilling Australians Fund.
- **457 visa changes confirmed**: The Budget confirmed the 457 visa changes the Government announced on 18 April 2017. The Government announced that the Temporary Work (Skilled) visa (subclass 457 visa) will be abolished and replaced with the completely new Temporary Skill Shortage (TSS) visa in March 2018
- **Restriction on depreciation deductions:** From 1 July 2017, the Government will limit "plant and equipment" depreciation deductions to outlays actually incurred by investors in residential real estate properties. These changes will apply on a 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 7:30 pm (AEST) on 9 May 2017) will continue to give rise to deductions for depreciation until either the investor no longer owns the asset, or the asset reaches the end of its effective life.
- **No deduction for residential rental property travel expenses.** Travel expenses related to inspecting, maintaining or collecting rent for a residential rental property will be disallowed from 1 July 2017.
- **Housing affordability – unlocking supply:** The Government will ease restrictions that are contributing to the supply of housing falling behind population growth and encouraging a more responsive housing market
- **Major bank levy:** large banks will have a 0.06% p.a. levy applied to assist with budget repair, and is expected to raise $6.2billion. Applicable from 1 July 2017.

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- **>65 yo's home downsizing**: homes owned >10 years - sellers can contribute $300k each ($600k per couple) towards super and disregard super cap limits. To apply to a person aged 65 or over to make a non-concessional contribution of up to $300,000 from the proceeds of selling their home from 1 July 2018.
- **SMSF borrowing**: the total (gross) value of the investment (property) is to now be counted towards the pension phase $1.6m transfer balance cap
- **First Home Super Saver Scheme**: salary sacrifice towards super up to $30k in total, with a 15% contributions tax and 30% withdrawal tax offset (up to $17k in tax savings). Under the measure up to $15,000 per year and $30,000 in total can be contributed, within existing caps. Contributions can be made from 1 July 2017. Withdrawals will be allowed from 1 July 2018 onwards.
- **Small business CGT concessions**: restricted to assets associated with the small business (addresses integrity issues associated with structuring by larger groups)
- **Small Business asset deductions**: the $20k asset deduction / depreciation write-off extending to 30 June 2018
- **SME businesses reduced 27.5% tax rate**: <$50m turnover businesses will be included from 01/01/18. In the 2016-17 financial year, the reduced corporate tax rate of 27.5% will apply for businesses with an aggregated turnover of less than $10m (currently <$2m); $25m turnover in 2017-18; and $50m turnover from 2018-19.
- **HELP debt**: lowering the repayment threshold from $54,869 to $42,000 together with a new set of repayment thresholds and rates will be introduced from 1 July 2018 The maximum student contribution will increase from 1 January 2018.
- **ATO targets**: The ATO is being provided with funding to collect more tax. This aims to tackle the black economy, cracking down on organised crime and multinational tax avoidance.
- **Affordable housing investors CGT discount**: will be increased from 50% to 60%
- **MIT investment in affordable housing**: To encourage investment into affordable housing, the Government will legislate to enable managed investment trusts (MITs) to invest in affordable housing.
- **Foreign property investors**: restricting foreign ownership in new developments to 50%
- **Vacant properties with foreign ownership**: $5k p.a. levy for unoccupied residential properties
- **Foreign investors CGT concessions**: main residence exemption denied, CGT withholding tax increases from 10% to 12.5%, and threshold reductions on withholding from $2m to $750k
- **Job Seeker Compliance**: new penalties for deliberate non-compliance, while providing help for genuine job seekers
- **National Housing & Homelessness**: national coordination of the states and Commonwealth to focus on solutions

Note: These changes are proposals only and may or may not be made law.