



TACTICALSUPER
SMSF AUDIT SPECIALISTS

2017/18 Federal Budget Summary

Superannuation Changes

First home super saver scheme

From 1st July 2017 first homebuyers can make voluntary super contributions up to \$15,000 per year and a total of \$30,000.

The contribution must be within existing concessional and non-concessional caps

These contributions are able to be withdrawn, along with deemed earnings for a first home deposit from 1st July 2018 onwards. Concessional contributions and earnings that are withdrawn will be taxed at taxpayer's marginal tax rate less a 30% offset.

Limited Recourse Borrowing Arrangements

From 1st July 2017, LRBAs are included in a member's total superannuation balance and transfer balance cap. This is to ensure LRBAs aren't used to circumvent caps.

Downsizing incentive

From 1st July 2018 a person aged 65 or over can make a Non Concessional Contribution (NCC) of up to \$300,000 from the proceeds of selling their home. This NCC will be in addition to those

currently permitted under existing rules and caps and will be exempt from the age test, work test and the \$1.6 million balance test.

- Must have owned the property for the past 10 or more years.
- Both member of a couple can take advantage of the measure for the same home.

Related Party Transactions

From 1st July 2018 Non-arms length provisions will be amended to ensure expenses that would normally apply in a commercial transaction are included when considering a transaction is on a commercial basis.

Black economy

Black economy contractor reporting measures extended to cleaning and courier businesses.

One year extension \$32 million ATO audit funding for black economy compliance activities.

Students

From 1st July 2018 HECS and HELP threshold decreases from \$52,000 to \$42,000.

Foreign Investors and Residents

"Ghost house tax" and other restrictions on foreign investors (stricter CGT rules etc)

From 9th May 2017 a charge of at least \$5,000 on foreign owners of residential rental properties that are not occupied or available for rent for at least 6 months per year. Levied annually

From 9th May 2017 foreign and temporary tax residents unable to access CGT main residence exemption. Existing properties grandfathered until 30th June 2019.

From 9th May 2017 New developments will have a 50% cap on foreign ownership.

From 1st July 2017 – foreign resident CGT withholding tax rate increased from 10% to 12.5%. The withholding threshold also decreases from \$2 million to \$750,000.

457 visas will be replaced by a new temporary skill shortage visa.

From March 2018 annual foreign worker levy of \$1,200 - \$1,800 per visa per year for temporary skill shortage or \$3,000 to \$5,000 per visa per year for sponsored.

Small Business Changes

A small business with an aggregated annual turnover less than \$10 million can access \$20,000 instant asset write-off for another year – allows for immediate write off of eligible assets costing less than \$20,000 first used or installed ready for use by 30 June 2018.

CGT Concessions

Integrity measures to restrict eligibility to ensure only small business taxpayers with aggregated turnover of less than \$2 million or business assets less than \$6 million.

Rental Property Changes

Depreciation

For residential investment properties acquired from 9th May 2017.

Limit depreciation deductions on plant and equipment to outlays actually incurred by investors.

What this means - example

If you buy a new dishwasher for your rental property you can still depreciate it – BUT when you sell the property the new owner cannot continue to depreciate the asset. It remains as part of the cost base of the property.

Travel Expenses

From 1st July 2017 you can no longer claim a tax deduction for travel expenses relating to inspecting, maintaining or collecting rent for a residential rental property.

You can however still claim a deduction for expense relating to property managers inspecting the property.

Medicare Levy Changes

Low-income thresholds

Threshold for singles increased to \$21,655.

Family threshold increased to \$36,541 plus \$3,356 for each dependent child or student.

Single seniors or pensioners increased to \$34,244.

Family threshold for seniors or pensioners increased to \$47,670 plus \$3,356 for each dependent child or student.

Increase Medicare levy

From 1st July 2019, Medicare levy increase from 2% to 2.5% other tax rates linked to the top personal tax rate will also increase