Federal Budget 2017-18 – what it means for you

On Tuesday 9 May 2017, the Treasurer, Scott Morrison, released the Government's 2017-18 Budget.

This year's Budget won't significantly impact retirees; however, there were plenty of changes announced that could affect you. For further information regarding these proposed changes, speak to your financial adviser who will look at your personal circumstances and assess how you will be affected.

It's important to note that at this point in time, these proposed measures are not yet law and may be subject to change.

Superannuation

Additional super contributions for downsizers

From 1 July 2018, individuals aged 65 and over will be able to make an after-tax super contribution of up to $300,000 ($600,000 for couples combined) from the proceeds of the sale of their home. This measure will only apply following the sale of a principal home held for a minimum of 10 years.

This new measure will not attract any special Centrelink treatment but it will allow eligible individuals to make contributions above the super caps, without being subject to work or age test requirements.

First home super saver scheme

To reduce pressure on housing affordability the Government will allow voluntary superannuation contributions to be withdrawn for a first home deposit.

- From 1 July 2017, individuals can make voluntary contributions of up to $15,000 per year, up to $30,000 in total, to superannuation for the purposes of this measure. Voluntary contributions can be made before or after tax and are subject to the relevant contribution caps.

- From 1 July 2018 those voluntary contributions (along with deemed earnings) can be withdrawn for a first home deposit.

- Withdrawals will be taxed up to an individual's marginal rate, less a 30% offset. Withdrawals of after-tax contributions will not be taxed.

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. Those affected will receive the PCC and retain the Commonwealth Seniors Health Card, to ensure they continue to receive the Energy Supplement. Where they received the Low Income Health Care Card, that card will be deactivated.

Energy Assistance Payment

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 for qualifying payments on 20 June 2017, and who reside in Australia. The payment is not taxable and will not be counted as income.

Qualifying payments include:

- Age Pension
- Disability Support Pension
- Parenting Payment Single
- Veterans' Service Pension, Veterans' Income Support Supplement, Veterans' disability payments
- War Widow(er)s Pension, and permanent impairment payments under the Military Rehabilitation and Compensation Act 2004 (including dependent partners) and the Safety, Rehabilitation and Compensation Act 1988.

Revised residency requirements for pensions

The Government will revise the residency requirements for claimants of the Age Pension and the Disability Support Pension (DSP) from 1 July 2018. Generally, claimants will now need to have 15 years of continuous Australian residence before being eligible to receive the Age Pension or DSP unless certain conditions or an exemption applies.

Working age payments reforms

The Government will progressively consolidate seven working age payments and allowances into a new JobSeeker Payment or transition recipients to Age Pension.

The working age payments affected are:

- Newstart Allowance
- Sickness Allowance
- Widow Allowance
- Partner Allowance
- Widow B Pension
- Wife Pension
- Bereavement Allowance.

If you are receiving one of these payments, speak with your financial adviser to find out how these changes may affect you.

Liquid assets waiting period increasing

From 20 September 2018, the period that a person must wait before being paid an allowance (for example Newstart), if they have 'liquid' assets will increase from 13 weeks to 26 weeks.

Family Tax Benefits

The Government will continue to keep the Family Tax Benefit (FTB) payment rate fixed until 1 July 2019. Indexation in line with the Consumer Price Index will resume from that date.

From 1 July 2018, all families with total income over $94,316 will have their Family Tax Benefit (FTB) Part A reduced by 30 cents for every dollar above $94,316.

Tax

0.5% increase in Medicare levy

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.

Increase to Medicare levy low-income thresholds

The 2016-17 financial year Medicare levy low-income threshold will be increased as follows:

Family status	2016-17	2015-16
Single	$21,655	$21,335
Single, eligible for seniors and pensioners tax offset (SAPTO)	$34,244	$33,738
Couple	$36,541	$36,001
Couple, eligible for SAPTO	$47,670	$46,966
Additional threshold for each dependent child	$3,356	$3,306

Reduced residential property deductions

From 1 July 2017, the Government will no longer allow deductions for travel expenses related to inspecting, maintaining or collecting rent for residential rental property. However, investors can continue to deduct those types of expenses incurred by third parties such as real estate agents and property management services.

In addition, from 1 July 2017, depreciation deductions on plant and equipment (for example dishwashers and fans) will be limited to outlays actually incurred on residential properties. For plant and equipment purchased after 9 May 2017, deductions are claimable over the effective life of the asset only by the investor who bought the items.

For investors with existing investments as at Budget night, grandfathering rules will apply, broadly allowing deductions to continue until either the investor no longer owns the asset or the asset reaches the end of its effective life.

Aged care

The Government will make a number of changes over the next two years impacting the operation of aged care, including extending the Commonwealth Home Support Program, Regional Assessment Services funding arrangements and palliative care services.

The programs contribute to essential home support services, such as meals, personal care, nursing, domestic assistance, home maintenance, and community transport to assist older people who would like to remain in their home for care.

Small business

Extending the immediate deductibility threshold for small businesses

The Government will extend the accelerated depreciation rules for small businesses by 12 months to 30 June 2018. This allows small businesses, with aggregate annual turnover of less than $10 million, to immediately deduct purchases of eligible assets up until 30 June 2018, provided the asset costs less than $20,000. Assets valued over $20,000 or more can be depreciated at 15% in the first income year and 30% each income year thereafter.

Foreign investors and property

From 7.30pm on Tuesday 9 May 2017 there will be a number of changes affecting property investments by foreign residents. These include an additional charge if the property is left vacant for more than six months in a year, the removal of the main residence capital gains tax exemption (for properties purchases after Budget night) and from 1 July 2017, a 12.5% capital gains tax withholding regime for property transactions of $750,000 or above.

To find out more about these proposed changes and how they may affect you, speak to your financial adviser.