

# What the 2017 Federal Budget means for you

On 9 May 2017, the Turnbull Government delivered the 2017/18 Federal Budget. According to the Treasurer, this year's Budget is about making the right choices to secure better days ahead.

From a pure financial planning and wealth perspective, the positive news from this year's Budget is that the changes are minimal. This is a very welcome outcome given the significant changes, particularly to superannuation, that were announced in last year's Budget which are still largely due to come into effect from 1 July 2017.

Most of the changes announced were focused on addressing housing affordability, and there were some flow on impacts for superannuation.

Whilst the changes may be regarded as minimal only, it's still important to understand what changes have been proposed, and more specifically, how these changes may impact you. We say "may impact you" as these proposals are just announcements at this stage and the final form of the announcements may differ when they ultimately become law. Also, everyone's circumstances are different and the following summary should not be read as being specific to your personal circumstances.

## Measures to address housing supply and affordability

The Government has proposed a number of measures to encourage Australians to invest more into affordable housing, and has done this through increasing the level of capital gains tax relief that may be available upon the eventual sale of a qualifying residential investment properties. At the same time, they are proposing to tighten the rules for when foreign investors can purchase residential property in Australia and removed some associated tax concessions.

Two significant announcements in this area also have an impact in relation to superannuation savings. First, the Government is launching a new First Home Super Saver Scheme from 1 July 2017, allowing first home buyers to use their superannuation fund as a method to save towards and then fund a deposit towards the purchase of their first home. There are rules around how much can be contributed and how much can be accessed, but the tax concessional nature of super can prove a boost to these savings.

Second, from 1 July 2018, individuals aged 65 and over can contribute up to \$300,000 from the sale of their principal residence (if owned for at least 10 years) to super without the need to satisfy any contribution criteria. This could provide some individuals with a unique opportunity to provide a final boost to their retirement savings plans.

## Changes to social security rules

Over a period of time, the Government proposes to rationalise the number of payments that currently exist and streamline eligibility criteria. Perhaps of more immediate concern is the proposed introduction of a "demerit point system" for individuals who don't undertake appropriate job seeking activities which can result in a reduction or suspension of their income support payments.

As a result of changes to the Age Pension means test from 1 January 2017, some individuals ceased to qualify for the Age Pension and, as a result, lost access to the Pensioner Concession Card. The Government will reinstate these Concession Cards for these affected individuals.

And finally, a one-off energy assistance payment of \$75 for single recipients and \$125 per couple will be made to those eligible for qualifying payments on 20 June 2017 and who are Australian residents.

## Taxation changes

As expected, there were no changes announced to the personal marginal tax rates for thresholds. However, the current temporary budget repair levy payable by high income earners will cease on 30 June 2017.

As part of its commitment to the future of Medicare and the National Disability Insurance Scheme, there will be an increase of 0.5% to the Medicare levy from 1 July 2019, raising it to a new level of 2.5% of taxable income from that date.

Small business owners also gained an extension of 12 months to existing concessions allowing assets purchased for up to \$20,000 to be immediately written off for tax purposes. These concessions will now apply for assets purchased up to 30 June 2018.

## Superannuation

Outside of the two significant changes relating to housing affordability, the superannuation system emerged largely unaffected from this year's Federal Budget. Whilst there were some integrity measures announced and extension of some existing concessions, this reprieve for the superannuation system is welcomed given the majority of changes announced to super in the 2016 Federal Budget will take effect from 1 July 2017.

## Concluding thoughts

Overall, the number of changes announced in this year's Federal Budget are small compared to prior years. For many, this is important as it allows a continued focus on the steps required to be in the best possible position come 1 July 2017 when significant changes to superannuation take effect.

The most important consideration you can have right now is to ensure that you don't over-react to measures that are still only proposals. The best thing you can do is seek advice that is personal to your own circumstances. The first step is to talk with a financial adviser.

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