

CARBONI & CO

CHARTERED ACCOUNTANTS



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Business Count”

REPORTS



2017 Federal Budget

Overview

The Federal Budget for the coming year was handed down on Tuesday 9th May 2017.

Major revenue measures announced in the budget included: the Medicare levy will be increased by 0.5% to 2.5%; faster higher education repayment and threshold changes; Super contributions of proceeds up to \$300,000 from downsizing a home will be allowed; first home super saver scheme and increased CGT discount for investments in affordable housing.

On the business side a new major bank levy for ADIs with licensed entity liabilities of at least \$100bn; the instant asset write-off (\$20,000 threshold) for small business entities (SBEs) will be extended by 12 months to 30 June 2018; the small business CGT concessions will be restricted to assets used in a small business or ownership interests in a small business; changes to the GST treatment of digital currencies and changes for GST on sales of new residential premises.

INDIVIDUAL TAXATION

The 2017-18 Budget contained no changes to the personal income tax rates and thresholds. The 2% budget deficit levy on incomes over \$180,000 will cease at the end of the 2016-17 financial year.

Personal income tax rates and thresholds				
	2016-17		2017-18	
1st rate	\$ 18,201	19%	\$ 18,201	19%
2nd rate	\$ 37,001	32.5%	\$ 37,001	32.5%
3rd rate	\$ 87,001	37%	\$ 87,001	37%
4th rate	\$ 180,001	47%	\$ 180,001	45%

➤ The above rates do not include the Medicare levy – **2%** of taxable income.

BUDGET 2017 SUMMARY

Personal tax changes announced include:

Medicare levy to be increased to 2.5% from 1 July 2019	<ul style="list-style-type: none"> The Government will increase the Medicare levy from 2% to 2.5%. Other tax rates that are linked to the top personal tax rate, such as the FBT rate, will also be increased.
Higher Education HELP changes announced: threshold changes from 1 July 2018	<ul style="list-style-type: none"> Repayment thresholds will be changed affecting all Higher Education Loan Program (HELP) debtors. The threshold at which Help debtors are required to repay HELP loans will decrease from annual income of \$55,874 to \$42,000. Repayments will decrease from 4% of income to 1% repayment rate, rising to 10% for people with incomes of \$119,882.
Foreign ownership measures from 7.30pm (AEST) 9 May 17	<ul style="list-style-type: none"> A cap of 50% will be applied to foreign ownership in new developments through a condition on New Dwelling Exemption Certificates. An annual charge of at least \$5,000 will be imposed on foreign owners who leave residential property unoccupied or not available for rent for 6 months or more each year.
Changes to deductions allowed to rental property investors from 1 July 2017	<ul style="list-style-type: none"> Subsequent owners of a property will be unable to claim deductions for plant and equipment purchased after 9 May 17 (7.30pm AEST) by a previous owner of that property. Travel expenses related to inspecting, maintaining or collecting rent for a residential rental property will be disallowed.
Increased CGT discount for investments in affordable housing from 1 January 2018	<ul style="list-style-type: none"> The CGT discount for individuals will be increased from 50% to 60% for gains relating to investments in qualifying affordable housing. To qualify for the higher discount, housing must be provided to low to moderate income tenants, with rent charged at a discount to the private rental market rate. The affordable housing must be managed through a registered community housing provider and the investment held for a minimum period of 3 years.
CGT changes for foreign investors	<p>The foreign resident capital gains tax regime will have following changes:</p> <ul style="list-style-type: none"> denying foreign and temporary tax residents access to the CGT main residence exemption from 7:30 pm on 9 May 2017. increasing the CGT withholding rate for foreign tax residents from 10% to 12.5% from 1 July 2017; and reducing the CGT withholding threshold for foreign tax residents from \$2m to \$750,000 from 1 July 2017.
Super borrowings LRBA - from 1.07.17	<ul style="list-style-type: none"> The use of limited recourse borrowing arrangements (LRBAs) by superannuation will be included in a member's total superannuation balance and for the purposes of the \$1.6m pension transfer balance cap.

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<p>Super contributions of proceeds up to \$300,000 from downsizing a home from 1 July 2018</p>	<ul style="list-style-type: none"> • The Government will allow a person aged 65 or over to make a non-concessional contribution of up to \$300,000 from the proceeds of selling their home. These contributions will be in addition to those currently permitted under existing rules and caps and they will be exempt from the existing age test, work test and the \$1.6m total superannuation balance test for making non-concessional contributions (which applies from 1 July 2017). • The measure will apply to sales of a principal residence owned for the past 10 years or more. Both members of a couple will be able to take advantage of this measure for the same home. • The proceeds from downsizing a home are not proposed to be exempt from the Age Pension assets test.
<p>First home super saver scheme from 1 July 2017</p>	<ul style="list-style-type: none"> • Future voluntary contributions to superannuation made by first home buyers to be withdrawn for a first home deposit will be allowed. • Concessional contributions and earnings that are withdrawn will be taxed at marginal rates less a 30% offset. • 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. Both members of a couple can combine savings for a single deposit to buy their first home together.

CORPORATE TAXATION CHANGES:

<p>Major bank levy from 1 July 2017</p>	<ul style="list-style-type: none"> • The Government will introduce a bank levy for Authorised Deposit taking Institutions, with licensed entity liabilities of at least \$100bn.
<p>Company tax rate: Govt re-commits to remainder of 10-year package to further reduce rate to 25%</p>	<ul style="list-style-type: none"> • The Government will continue with the 10-year Enterprise Tax Plan to eventually reduce the company tax rate to 25% for all companies. • 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; \$25m turnover in 2017-18; and \$50m turnover from 2018-19. This is part of the first 3 years of the Government's 10-year plan for company tax cuts. • Per the budget the corporate tax rate will also be further reduced from 1 July 2024, so that it will eventually fall to 25% by the 2026-27 financial year for businesses with an aggregated turnover of less than \$50m.
<p>Current instant asset write-off</p>	<ul style="list-style-type: none"> • SBEs will be able to immediately deduct purchases of eligible depreciating assets costing less than \$20,000 that

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<p>(\$20,000 threshold) for small business entities (SBEs) by 12 months to 30 June 2018.</p>	<p>are acquired between 1 July 2017 and 30 June 2018 and first used or installed ready for use by 30 June 2018 for a taxable purpose. Only a few assets are not eligible for the instant asset write-off, for example horticultural plants and in-house software.</p> <ul style="list-style-type: none"> • When the SBE changes in the Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016 receive assent, the aggregated turnover threshold for a SBE will increase to \$10m (as from 2016-17).
<p>Changes to CGT small business concessions: from 1 Jul 17</p>	<ul style="list-style-type: none"> • The Government will amend the small business CGT concessions to ensure that the concessions can only be accessed in relation to assets used in a small business or ownership interests in a small business.
<p>Business to pay levy on certain skilled visas from March 2018</p>	<ul style="list-style-type: none"> • 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.
<p>Taxable payments reporting system extended to couriers and cleaners from 1 July 18</p>	<ul style="list-style-type: none"> • The taxable payments reporting system (TPRS) will include contractors in the courier and cleaning industries. • Currently, the system only covers supplies of building and construction services to a purchaser who is carrying on a business that is primarily (over 50%) in the building and construction industry. • The purchaser is required to give the Commissioner a Taxable payments annual report that specifies the supplier, the supplier's ABN and the total payments made to the supplier. Failure to give a report attracts a penalty.
<p>Changes to treatment of precious metals</p>	<p>Budget also reminds us about measures relating to gold and the precious metal industry:</p> <ul style="list-style-type: none"> • a proposed reverse charge mechanism for taxable supplies of precious metals; and • amending the definition of "second-hand goods" in the GST Act to clarify that goods containing precious metal do not qualify as second-hand goods.
<p>GST treatment of digital currency from 1 July 2017</p>	<ul style="list-style-type: none"> • The Government will align the GST treatment of digital currency with money. It holds the view that transacting with bitcoin is similar to a barter arrangement, with similar GST consequences.
<p>New residential premises: purchasers pay GST 1 Jul 18</p>	<ul style="list-style-type: none"> • Purchasers of newly constructed residential properties (or new subdivisions) will be required to remit the GST directly to the Tax Office as part of settlement. • Currently, GST is included in the purchase price and it is the developer who remits any GST.

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