



CLIENT ALERT

BUDGET ALERT: SUPERANNUATION

On 9 May 2017, Treasurer Scott Morrison handed down the 2017-2018 Federal Budget. Thankfully, compared to last year, it was a fairly quiet night on the SMSF and superannuation front.

Key superannuation related points from the Budget

- From 1 July 2018, individuals aged 65 and over will be able to downsize their family home and place proceeds up to \$300,000 per member into their superannuation fund without breaching any of the current superannuation caps, work test and age test. The measure will apply to a principal place of residence held for a minimum of 10 years. This means even if an individual has a total superannuation balance of \$1.6 million or more they will not be restrained from making an after-tax contribution with their house proceeds. Both members of a couple will be able to apply this measure allowing up to \$600,000 per couple to be contributed to superannuation. It is important to note that while an amount may be able to be contributed to superannuation under the downsizing cap, the measure does not extend to amounts transferred into the retirement phase of

superannuation under the \$1.6 million transfer balance cap. A person will only be able to transfer up to their \$1.6 million transfer balance cap into a retirement phase income stream. The Government has confirmed that downsize sale proceeds contributed to superannuation will be counted under the Age Pension Assets Test.

- The Government will encourage home ownership by allowing future voluntary contributions to superannuation made by first home buyers from 1 July 2017 to be withdrawn for a first home deposit, along with associated deemed earnings. Concessional contributions and earnings that are withdrawn will be taxed at marginal rates less a 30% offset. Combined with the existing concessional tax treatment of contributions and earnings, this will provide an incentive that will enable first home buyers to build savings more quickly for a home deposit. 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.

Other tax matters of interest

- Travel expenses related to inspecting, maintaining or collecting rent for a residential rental property will be disallowed from 1 July 2017;
- A new major bank levy from 1 July 2017 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 from 1 July 2017;
- Additional ATO funding for black economy audit and compliance programs;

- The Medicare levy will be increased by 0.5% to 2.5% from 1 July 2019; and
- Faster higher education repayment and threshold changes from 1 July 2018. Repayments will start when incomes reach \$42,000 instead of the current threshold of \$55,874.
- The 2% budget deficit repair levy applicable to taxable incomes over \$180,000 will cease as planned at 30 June 2017.

The debate between the Government and the Senate in order to pass the Budget will no doubt result in a revision of some of the above measures and more details being released prior to being ultimately legislated.

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