

Dear Whitelight clients and associates,

Last night on the 9th of May the proposed 2017 Federal Budget was released.

It is important to note that all measures at this stage are proposals only. Nonetheless, it is important to be aware of these proposals to discover what opportunities may arise for your own tailored financial plan. Several of the “Super Reforms” in last year’s 2016 Budget will soon be realised as 1 July 2017 approaches. Should you have any questions about the upcoming super reforms, as well as the new proposed measures please contact our office.

If you are not a client of Whitelight but you are interested in obtaining financial advice, please [contact](#) our team on (02) 8065 3776 to arrange an obligation-free financial consultation to see how we can assist you with creating a tailored Whitelight financial strategy.

Yours sincerely,



Tim Cotton

Principal Financial Adviser – Whitelight Financial Services

The Federal Budget Analysis prepared by the MLC Technical team, part of GWM Adviser Services Limited, appears below.

2017 Federal Budget Analysis

First home savers, downsizers and small business are the winners in Treasurer Scott Morrison's second Budget – while taxpayers face an increase in the Medicare levy.

Note: These changes are proposals only and may or may not be made law

Superannuation

Contributions from downsizing the home

Date of effect: 1 July 2018

Individuals aged 65 or older will be able to make non-concessional (after tax) super contributions of up to \$300,000, using proceeds from the sale of the family home. This limit will:

- apply on a per person basis
- be in addition to the ordinary non-concessional contribution cap, and
- be available where the home has been owned for at least 10 years.

Unlike other non-concessional contributions, it will not be necessary to meet a work test or have a 'total super balance' under \$1.6 million. The amount contributed will not be exempt from the assets test used to assess eligibility for the Age Pension.

First home super saver scheme

Date of effect: From 1 July 2017

First home buyers will be able to save for a deposit by making voluntary concessional and non-concessional super contributions. Contributions will be limited to \$15,000 per year (up to a total of \$30,000) and will count towards the relevant contribution cap.

Withdrawals can be made from 1 July 2018. Concessional contributions plus assumed earnings withdrawn will be taxed at the person's marginal tax rate, less a 30% tax offset.

The Government has provided an [online estimator](#) to help individuals calculate the potential benefit of the scheme.

SMSF borrowings

Date of effect: When law is passed

Broadly, when new limited recourse borrowing arrangements are established, the loan balance will be included in an individual's 'total super balance'. The total super balance is used to determine a person's ability to:

- make non-concessional contributions
- qualify for a Government co-contribution or a spouse contribution tax offset, and
- make catch-up concessional contributions above the annual caps from 1 July 2018, where certain conditions are met.

Also, repayments made from the SMSFs accumulation balance will count towards the member's transfer balance cap, if the borrowing supports a pension account. The transfer balance cap limits the total lifetime transfers a person can make to retirement phase pensions.

Taxation

Medicare levy increase

Date of effect: 1 July 2019

The Medicare levy will increase from 2% to 2.5% pa to fully fund the National Disability Insurance Scheme. This increase will flow to a range of other taxes such as Fringe Benefits Tax.

Small business accelerated depreciation

Date of effect: 1 July 2017

The ability for small businesses with an annual turnover of \$10 million or less to claim an immediate deduction for eligible assets costing less than \$20,000 each will be extended for 12 months.

HELP thresholds and rates

Date of effect: 1 July 2018

The annual income threshold at which Higher Education Loan Program (HELP) repayments commence will be reduced to \$42,000 (currently \$54,869). Also, the repayment rate will start at 1% and increase progressively to 10%.

Social Security

Pensioner Concession Card

Date of effect: From 1 July 2017

Individuals who lost entitlement to the Pensioner Concession Card as a result of the 1 January 2017 assets test changes will be reissued with the card.

Energy Assistance Payment

Date of effect: 20 June 2017

Eligible pensioners will be entitled to a one-off Energy Assistance Payment of \$75 for singles and \$125 per couple. Eligible recipients include Australian residents who qualify for the Age Pension, Disability Support Pension and Service Pension.

Residency requirements for pensioners

Date of effect: 1 July 2018

To be eligible for the Age Pension and Disability Support Pension (DSP), claimants will need to have 15 years of continuous Australian residence unless they have either:

- 10 years continuous Australian residence, with 5 years of this being during their working life, or
- 10 years continuous Australian residence, without having received an activity tested income support payment for a cumulative period of 5 years.

Existing exemptions will continue to apply for DSP applicants who acquire their disability in Australia.

Family Tax Benefit – Part A

Date of effect: 1 July 2018

A single taper rate of 30 cents in the dollar will apply to income that exceeds the Higher Income Free Area (\$94,316 in 2016/17). Currently, two tests are applied and the higher payment determines the entitlement.

Family Tax Benefit – Part A and B

Date of effect: 1 July 2017

The payment rates will not be indexed for two years. Indexation will resume on 1 July 2019.

Liquid Assets Waiting Period

Date of effect: 20 September 2018

The maximum Liquid Assets Waiting Period (LAWP) will increase from 13 to 26 weeks. The LAWP is a period an individual will be ineligible to receive Government income support. The new maximum period will apply to:

- singles without dependents with liquid assets of more than \$18,000, or
- couples, or singles with dependents, with liquid assets of more than \$36,000.

Liquid assets are readily available assets such as bank accounts, terms deposits, shares and managed funds.

Any questions?

If you have any questions, please contact us on **02 8065 3776** or visit our website [here](#).



Important information

The information contained in this Federal Budget Analysis is current as at 9 May 2017 and is prepared by MLC Technical, part of GWM Adviser Services Limited ABN 96 002 071749, registered office 150-153 Miller Street North Sydney NSW 2060, a member of the National Australia Bank Group of Companies.

Any advice in this Federal Budget Analysis has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on any advice, consider whether it is appropriate to your objectives, financial situation and needs. Any tax estimates provided in this publication are intended as a guide only and are based on our general understanding of taxation laws. They are not intended to be a substitute for specialised taxation advice or a complete assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under taxation law, and we recommend you consult with a registered tax agent.

Past performance is not a reliable indicator of future performance.

Before acquiring a financial product, you should obtain a Product Disclosure Statement (PDS) relating to that product and consider the contents of the PDS before making a decision about whether to acquire the product.