LEGAL MATTERS

Cassab & Associates Solicitors E-Newsletter
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SPECIAL BUDGET EDITION!!

There were high expectations surrounding Tuesday nights Federal Budget. But did all the hype live up to expectations? This month, we're going to look at how *some* of the Budget's policies will impact the property and small business sector.
For more information visit http://budget.gov.au/2017-18/content/glossies/heets.htm

BUDGET 2017!

Property and Small Business

— *In Focus* —

Investors

- From 1 July 2017 investors in residential real estate will be limited in the deductions claimed for plant and equipment depreciation.
  - ⇒ Investors who purchase new plant and equipment will still be able to claim depreciation deductions.
  - ⇒ Subsequent owners of plant and equipment, including those assets bought by previous owners of a property, will **NOT** be able to claim deductions.'
  - ⇒ The new laws don't apply to properties exchanged/ purchased prior to 7.30pm AEST 9 May 2017.
- From 1 July 2017, investors will not be allowed to make deductions for travel expenses related to inspecting, maintaining or collecting rent for a residential rental property.
  - ⇒ This will not affect deductions for investor expenses incurred in engaging third party property managers.

First Home Buyers

- First home buyers will be given the opportunity to put aside up to $15,000 per year, for a maximum of 2 years, into their superannuation, from 1 July 2017.
- The money saved under the scheme can be withdrawn for a home deposit at a later date, from 1 July 2018.
- Money put into superannuation accounts under the scheme will be taxed at reduced rates:
  - ⇒ 15% when contribution is made
  - ⇒ Marginal tax rate *less* 30% when money is withdrawn.

While it may not have been quite the scheme that first home buyers were wanting or expecting, it is a step in the right direction for many.

Downsizers

- Australians aged 65 and over have been given an incentive to downsize.
- Downsizers who sell their home from 1 July 2018 can make a non-concessional contribution of up to $300,000 each into their superannuation accounts.
- The home must have been owned for 10+ years.
- A couple can take advantage of the scheme, by making a combined $600,000 non-deductible contribution to their superannuation which will be exempt from the age, work and $1.6million retirement balance tests.

Small Business

- Measures introduced in the 2015-16 Budget which allowed businesses with an aggregate annual turnover of less than $10million to claim deductions for eligible assets worth less than $20,000 have been extended for 1 more year.
- It is hoped that this will improve cash flow for small businesses and provide a boost to small business activity and investment.

Foreign Buyers

- **No Vacancy** — taking effect immediately, foreigners who own residential real estate and keep the property vacant for more than 6 months, in any given year, will be charged a vacancy tax.
- **50% cap** — not more than 50% of new developments can be sold to foreign buyers.
- **Capital Gains Tax** — the CGT withholding tax rate for foreigners has increased from 10% to 12.5% and the CGT withholding threshold has been reduced from $2million to $750,000. Foreign residents will also be denied access to CGT exemptions effective immediately but does not apply to existing contracts.