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2017 Federal Budget Webinar Q&As

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Introduction

Thanks for joining us for the 2017 Federal Budget Webinar, we hope you found it both interesting and the strategies valuable to your practice. We have tried to answer all of the questions submitted during the webinar, but if we missed yours, please feel free to email it to us (keat@netwealth.com.au or nigel@netwealth.com.au) and we will gladly answer it personally.

As is always the case with Budget announcements, there may be many changes before they are finally passed into law so please note that as many of these announcements are yet to be legislated, great care should be taken before implementing a financial strategy based on these announcements alone.

Q&As

Small business

1. **Is this $20,000 per asset or assets in total?**
   $20,000 per asset. There can be a number of different assets to which this is applicable.

Foreign Resident Investors

2. **Does this measure affect the Building Cost Write-Off?**
   It seems to be limited to depreciation deductions on plant and equipment rather than building cost write-offs. We should wait for the final legislation to clarify this.

3. **If the property is a new turn key or off the plan property will the plant and equipment be deductable. As it is new and technically paid for by the purchaser?**
   As the plant and equipment can be separately identified and the cost is incurred as part of the purchase price, we think it may be deductible. However, we should wait for the final legislation to confirm this.

4. **Can you confirm that depreciation of fixture and fittings will only affect second hand properties and will have no impact on brand new properties being purchased?**
   Refer to the answer of question 3 for when the depreciation deduction may be available. The Budget Paper says … "subsequent owners of a property will be unable to claim deductions for plant and equipment purchased by a previous owner of that property."

5. **Does this mean that the travel expenses now become capital expenses?**
   The Budget was not clear on this issue so we will have to wait for more detail.

Foreign Resident Investors

6. **Does this affect commercial property?**
   No – the Budget measures relate to reducing pressure on housing affordability and specifically refer to residential property only.

7. **Does Foreign Investor include Australian citizens who are non-resident for tax purposes?**
   Unclear from the announcement, but we believe this should **not** be the case.

Superannuation: downsizing the principal residence

8. **No benefit for Centrelink clients as the $300K is an assessed financial asset.**
   Maybe true for clients focused on Centrelink but could be a useful strategy for other clients.

9. **Does the downsizing NCC after age 65 count towards the Centrelink Asset or Income Test?**
   Yes – the Treasurer has confirmed that the measure "was not affordable" when coupled with a Centrelink exemption therefore **no Centrelink exemption**.

10. **Is it $300K per house or per individual couple?**
    Per individual – so a couple could contribute a total of $600K from the same eligible property.

11. **Would this downsizing home $300K NCC count 5 years rolling period NC $300K?**
    We don't believe so as it says that they "will be in addition to those currently permitted under the existing rules and caps.

12. **What if someone aged 75, downsizing, does not have a super account? Can they create a new super account?**
    Yes – there are no age limitations on opening a super account.

13. **While you would not need to worry about the super balance being over $1.6M, wouldn't you need to worry about the transfer balance cap?**
    Not for simply making the contribution as this would be to the accumulation account but if transferring to retirement phase, then the transfer balance account and cap would apply.

Superannuation: first home super saver

14. **How about non-concessional contributions? The Fact sheet mentions non-concessional contributions.**
    Correct – the contributions are any voluntary contribution and that includes non-concessional.

15. **If SG for someone is $10K pa and they contribute either Salary Sacrifice or personal contribution of $10K pa, can they take out $30K after 2 years or only the $20K they contributed?**
    The ATO will assess how much can be released and will advise the fund via a "release authority". The Budget Paper indicate that only voluntary contributions can be withdrawn. This would seem to exclude access to SG. We need to wait for the legislation to understand fully how it will finally work.

16. **Can the first home super saver contributions be invested in anyway an individual would like e.g. in line with their risk profile?**
    Not covered in the Budget so we will have to wait for further detail. That said, we suspect that there will not be any such restriction.

17. **With the first home super saver proposal, if there is a negative return on the funds contributed but deemed earnings applies to withdrawals, does that mean SG contributions would be used to fund the withdrawal?**
    Unclear and is one of those issues acknowledged above as needing clarification. See answer to question 15.

18. **When will the "First home super saver" strategy be allowed to commence? Does it need to be approved via parliament and legislated first or can we commence implementing 1 July, 2017?**
    The Budget specifies the 1 July start date but we will need to wait for confirming legislation to be enacted.

19. **Do you have any further information regarding the implementation and mechanics of implementing the first home super saver component to superannuation accounts?**
    No.

20. **Probably good for family intergenerational planning - have parents or grandparents provide tax free income to kids on proviso they increase salary sacrifice.**
    A good example of lateral thinking!!

21. **With an earning rate of 90 day bill + 3% does this raise issues with regards to investment horizons and risk profiling i.e. growth assets for 7+ year investment horizon?**
    A "deemed rate" is one that is set without regard for the investment performance so to that extent those issues may not be directly relevant. However, as the ATO will determine how much is available to release, you may need to take into account the impact on the balance.

22. **Does the contribution need to be held in a separate account or can it be in the same account? How is it monitored or managed?**
    We believe it can be in the same super account to which the members normal super contributions are directed.

23. **When you withdraw home saver $30K, would it be subject to tax of extra 15%? However it is subject to super tax rate.**
    Extra tax – No. The concessional contributions and the deemed earnings are taxed in the fund (15%) and when withdrawn, at the person's marginal tax rate less 30%.

Limited recourse borrowing

24. **For the LRBA and Transfer Balance Cap issue, does this affect existing LRBA's or only for new arrangements from 1/7/2017**
    There was no mention of grandfathering for existing arrangements.

25. **Are their exemptions on loans in place before 30 June 2017?**
    See answer to question 24.

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