

2017 Budget Snapshot for Personal Tax and Property Investors

Personal Tax

The **personal tax rates** for 2017/18 will be the same as this financial year, *except for one change*:

- The 2% deficit levy on incomes over \$180,000 will be removed, effective 1 July 2017. So the marginal tax rate for people earning over \$180,000 will be 45%, not the current 47%. (not including the medicare levy).

The **medicare levy** remains at 2% for the 2017/18 year. It goes to 2.5% from 1 July 2019.

(Source: NTAA 2017/18 Federal Budget & Thomson Reuters WTB 2017 Budget Report)

Property Investors

- 1 **Integrity Measure: From 9 May, 2017.** Investors who purchase plant and equipment (e.g. dishwashers, ceiling fans, carpets, blinds) for their residential investment property after 9 May 2017 will be able to claim a deduction over the effective life of the asset (*existing rule*). However, subsequent owners of a property will be *unable* to claim deductions for plant and equipment purchased by a previous owner of that property (**new rule**). Acquisitions of existing plant and equipment items will be reflected in the cost base for capital gains tax purposes for subsequent investors.
- 2 **Integrity Measure: From 1 July, 2017,** you will **not** be able to claim a deduction for travel expenses related to inspecting, maintaining or collecting rent for a residential rental property. This is to address concerns that many taxpayers have been claiming travel deductions without correctly apportioning costs, or have claimed travel costs that were for private travel purposes.
- 3 No Change to Negative Gearing Rules for investors
- 4 No Reduction to Capital Gains Tax Discount for investors
- 5 From 1 January 2018, the Government will increase the Capital Gains Discount from 50% to 60% for resident individuals who elect to invest 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 below 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 three years.

(Source: NTAA 2017/18 Federal Budget)