

FEDERAL BUDGET 2017: THE BOTTOM LINE

Housing affordability took centre-stage in the budget handed down by the Treasurer, writes Byron Smith.

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Among the key take outs from the federal budget – most of us will be paying more for Medicare, first-home buyers get a tax break to save their deposit and the federal budget will return to surplus in several years.

In short, the main measures affecting Australians are:

- the Medicare levy jumps to 2.5 per cent
- first-home buyers can save toward a deposit in their super
- seniors may add \$300,000 extra to their super if they sell their home
- small business can continue to instantly deduct eligible asset purchases which cost up to \$20,000
- university students have to pay their HELP debt earlier.

Treasurer Scott Morrison says it shows the government living within its means.

“This budget is about making the right choices to secure the better days ahead. Our choices are based on the principles of fairness, security and opportunity.”

HOUSING

One of the most anticipated subjects the Treasurer addressed in his budget was housing affordability.

“There are no silver bullets to make housing more affordable. But by adopting a comprehensive approach, by working together, by understanding the spectrum of housing needs, we can make a difference.”

ANZ economist Cherelle Murphy said the budget “tinkered with housing affordability”. While [Property Council of Australia chief Ken Morrison](#) said it “is a serious attempt at tackling Australia’s housing affordability problems”.

Perhaps the most critical measure is the **First Home Super Savers Scheme**, where savers can contribute from their before-tax income into their superannuation fund and be taxed at the 15 per cent superannuation tax rate.

First-home savers can save up to \$15,000 a year in this scheme up to a total of \$30,000 per person. The Treasurer concluded that “under this plan, most first home savers will be able accelerate their savings by at least 30 per cent”.

As expected, **older Australians will be encouraged to downsize** to free up housing stock for young families. Those aged 65 or over can make an after-tax contribution of up to \$300,000 into their super out of the money from the sale of their home.

They must have held the home for at least 10 years and it has to be their principal place of residence. Both partners in a relationship can do this, meaning combined a couple can contribute up to \$600,000 to super.

This will be an additional super contribution, and won’t be subject to the usual contribution rules.

To “**get more homes built**” in the Treasurer’s words, the government will create agreements with the states and territories to deliver more housing supply. It also has a range of measures to get new housing on the market, such as releasing Defence lands.

As anticipated, negative gearing remains, but **property investors** won’t be able to claim travel expenses and some depreciation deductions beginning July this year.

ECONOMIC OUTLOOK

[Morrison said the budget is on track](#) to reach surplus by 2020-21, “from a forecast deficit of \$29.4 billion in 2017-18 to a projected surplus of \$7.4 billion in 2020-21”.

And he painted a rosy picture of the Australian economy for the next few years, saying it was expected to rebound to 3 per cent growth over the next two years.

He added that Australians’ wage growth was expected to increase from 2 per cent a year to more than 3 per cent over the next four years.

In his commentary, [PwC Australia chief Luke Sayers](#) said the government had gone “all in to boost economic growth”.

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MEDICARE

The **levy** almost all Australians pay for Medicare will increase by half a per cent in two years, so the government can fully pay for the National Disability Insurance Scheme. (It says this scheme is underfunded by \$55.7 billion over the next 10 years.)

The income level that people will start paying the levy has increased to:

- \$21,655 for singles
- \$36,541 for families (add \$3356 for each child)
- \$34,244 for single seniors/pensioners
- \$47,670 for family seniors/pensioners (add \$3356 for each child).

EDUCATION AND WELFARE

For **schools**, the government will provide \$18.6 billion in extra funding, to all schools, for the next decade. This is based on recommendations from the Gonski school funding review.

University students will have to pay more for their courses from 2018 onward, with an approximate 1.8 per cent increase in their fees each year, cumulating to a 7.5 per cent increase by 2021. Once fully implemented in 2021, this measure would increase total student fees between \$2000 and \$3600 for a four-year course.

Income thresholds and repayment rates for HELP debts will increase from January 1, 2018. The minimum income to start repayments will be lowered to \$42,000, at a 1 per cent repayment rate. This will climb to a 10 per cent repayment rate at the maximum income threshold of \$119,882.

In **welfare measures**, the government will reinstate the pensioner concession card to those that lost eligibility to a pension after the January 1, 2017 asset test changes. This gives them access to a range of state or territory discounts and concessions.

It will expand the ParentsNext program, which support young parents to get jobs, with a particular focus on women and indigenous Australians.

And there'll be a general crackdown on welfare recipients who don't meet their job seeker obligations, a drug testing trial, stricter residency rules and verification requirements.

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