

A breakdown of the 2017 Federal Budget for home buyers

Whether you're a first home buyer or looking to purchase your next property, the 2017-18 Federal Budget handed down by Treasurer Scott Morrison on 9 May should, overall, give you reason to smile.

The First Home Super Saver Scheme

From 1 July 2017, saving for a home deposit should be easier with the proposed introduction of a scheme that allows first home buyers to salary sacrifice into a super fund. This will deliver a tax saving which can go towards your deposit savings, with funds in the scheme **taxed at just 15%** instead of the usual marginal tax rates (which are currently as high as 45%).

The benefit comes from the ability to access these additional super contributions before retirement to put towards your home deposit. You'll be able to **put up to \$15,000 per year into the scheme, capped at \$30,000 overall**. If you're buying with a partner, you're both entitled to that amount, bringing your total contributions to \$60,000.

This could serve as a beneficial strategy for first home buyers looking to save up for their house deposit faster. By depositing a portion of your yearly income into the scheme for two-three years, you could avoid paying extra tax and put that money towards your new home instead.

Measures to cool the property market

There are several measures which have the potential to cool the property market a little and give first home buyers a better chance of securing a home:

An annual foreign investment levy will be charged against future foreign investors who leave their property vacant for more than six months each year. There will also be higher investment property application fees.

Foreign property owners will now have to pay capital gains tax when they sell their main residence.

Foreign ownership of new developments will be capped at 50%.

People aged 65 years or older who downsize can now put \$300,000 from the sale of their home into their super fund.

Paying more tax - but only a little more

Most of us will pay more tax from 1 July 2019 if the proposed changes go ahead. The Medicare levy, currently at two per cent, is set to increase by half a per cent to help fund the \$22 billion National Disability Insurance Scheme.

More high school funding, but more university fees

The education industry can expect a mixed bag of changes. While there will be more Commonwealth funding per student for most high schools, around a dozen schools will miss out and 300 more will receive a lower amount. This is a part of the government's effort to standardise school funding. They intend to give schools an additional \$23.5 billion in the next 10 years.

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University course fees will increase by 1.8 per cent by next year. This amount is expected to further increase to 7.5 per cent by 2022. From July next year, the minimum income level at which you must start repaying your HECS debt will also drop from over \$55,000 to \$42,000. What about small business owners?

Small business owners can continue to enjoy the cash flow benefits of the instant tax offsets, which have been extended for another year. If your business is turning over less than \$10 million each year, then you can write off \$20,000 worth of expenditure.

This amount may drop back down to \$1,000 as of July 1 2018, but the instant tax offsets may be extended for another year.

Small business owners should also be aware that you'll be facing an annual fee of up to \$1,800 for any employees on a temporary work visa. You'll also be required to pay a once-off levy for any workers on a permanent skilled visa.

Other savings

Other proposals include ending the Medicare rebate freeze and improving incentives for GPs to bulk bill, meaning your out-of-pocket medical expenses may be reduced.

What next?

First home buyers should monitor the housing market for opportunities following market-cooling proposals. If you're still saving, check out how the First Home Super Saver Scheme might get you into a property sooner using this tool: <http://www.budget.gov.au/estimator/>. When you're making decisions about buying and selling, remember at this stage the Federal Budget outlines proposed changes only.

Sources

<http://www.budget.gov.au/>

<https://www.ato.gov.au/General/New-legislation/In-detail/Super/First-home-super-saving-scheme/>