Federal Budget 2017

Key changes that may affect you

Measures to tackle home affordability were a key focus of this year's Federal Budget. They include two schemes that directly involve superannuation: a First Home Super Saver Scheme and a plan to facilitate downsizing for retirees over 65. While no other major changes to super were announced, it's worth keeping in mind that many of the super changes announced in last year's budget will come into effect on 1 July this year.

Superannuation changes

Help for first-home buyers

The government proposes to allow voluntary contributions into super to be withdrawn by first-home buyers for use as a housing deposit. You'll be able to make before-tax super contributions (e.g. salary sacrifice) of up to $15,000 per year and $30,000 in total, to be withdrawn for a first home deposit only.

The contributions can be made from 1 July 2017 and must be made within your existing annual contribution cap (which is $25,000 in 2017/18).

From 1 July 2018 onwards, you'll be able to withdraw these contributions and their associated deemed earnings for a first home deposit. The withdrawals will be taxed at your marginal tax rate, less a 30% tax offset – effectively making withdrawals tax-free for anyone earning up to $87,000.

Over 65 and moving home?

If you're a retiree aged 65 or over and you're selling your home (that you've owned for at least 10 years), you'll be able to contribute up to $300,000 of the sale proceeds into your super as an after-tax contribution. The amount is per person, which means that if you're in a couple, both you and your partner can make an after-tax contribution of $300,000 each from the sale of the same home.

These contributions will be allowed in addition to existing super rules and caps, including the age test, the work test and the total super balance cap of $1.6 million. The measure will apply from 1 July 2018.

Changes for pensioners

Reinstatement of the pensioner concession card

The pensioner concession card will be restored to those who lost it earlier this year after the introduction of the pension assets test change. This means that seniors affected will regain access to state and territory-based concessions that were withdrawn after the change.

However, the residency requirements will be tougher, as recipients of the concession card will be required to have 15 years of continuous Australian residency.

One-off winter energy payment

The government will provide a one-off winter energy payment to pensioners in 2016/17 of $75 to singles and $125 to couples.

Other changes that may affect you

Medicare levy increase

The Medicare levy will be increased from 2.0% to 2.5% of taxable income from 1 July 2019. Low-income earners will continue to receive relief from the Medicare levy through the low-income thresholds for singles, families, seniors and pensioners up to the following increased thresholds:

Proposed threshold for 2016/17	
Single	$21,655
Family	$36,541
Single seniors and pensioners	$34,244
Family seniors and pensioners	$47,670
Per dependent child increase	$3,356

HELP repayment thresholds and rates

A new set of repayment thresholds and rates under the higher education loan program (HELP) will be introduced from 1 July 2018. A new minimum repayment threshold of $42,000 will be established with a repayment rate of 1% of income. Currently the minimum repayment threshold for the 2017/18 financial year is $55,874 with a repayment rate of 4% of income.

Please note: these proposed measures are subject to passing legislation.

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