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[2017-18 Federal Budget: \\$29.4bn deficit; housing affordability package; increased Medicare levy and bank tax](#)

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On Tuesday, 9 May 2017, Treasurer Scott Morrison handed down the 2017-18 Federal Budget, his 2nd Budget.

In his Budget Speech, the Treasurer reported an underlying cash balance deficit of \$29.4bn for 2017-18. However, this outcome is projected to improve to a \$7.4bn surplus by 2020-21. The Budget expects the economy to rebound and grow at 2.75% in 2017-18 and 3.0% in 2018-19, supported by growth in household consumption, exports and a transition to non-mining business investment.

Forecast tax receipts for 2017-18 have been revised up by \$6.4bn over the forward estimates to 2019-20 due to new policy measures, including an increase in the Medicare levy, introducing a major bank levy, improving the integrity of GST on property transactions and a Skilling Australia Fund levy. These policy measures are expected to raise \$11.9bn over the forward estimates. While tax receipts have been affected by downward revisions to the outlook for wages, an upgrade to the outlook for profits is expected to see higher taxes for companies to more than offset the lower tax receipts expected from individuals.

Reflecting this economic optimism, the Government has committed over \$70bn from 2013-14 to 2020-21 to transport infrastructure across Australia, using a combination of grant funding, loans and equity investments. To ensure that each dollar of funding (so-called "Good Debt") for infrastructure goes further to enable more projects, the Government will look to identify ways to deliver infrastructure through more innovative financing methods

In the week leading up to the Budget, the Treasurer said that the Government was very cognisant of the frustration about rising costs of living, especially when wages are tight. While Mr Morrison said it was important to put downward pressure on rising costs of living, no government can solve that. He said Governments "have to take the actions they can take to put downward pressure on those rising costs of living". In this area, the Government has also put forward a comprehensive plan on housing affordability, including initiatives for first home buyers.

Revenue measures announced

The major revenue measures announced in the Budget included:

- a new major bank levy from 1 July 2017 for ADIs with licensed entity liabilities of at least \$100bn;
- the instant asset write-off (\$20,000 threshold) for small business entities (SBEs) will be extended by 12 months to 30 June 2018;
- the small business CGT concessions will be restricted to assets used in a small business or ownership interests in a small business from 1 July 2017;
- the multi-national anti-avoidance law (MAAL) will be amended to negate the use of foreign trusts and partnerships in corporate structures effective from 1 January 2016;
- additional ATO funding for black economy audit and compliance programs;
- changes to the GST treatment of digital currencies (from 1 July 2017) and changes for payments on sales of new residential premises (from 1 July 2018);
- the Medicare levy will be increased by 0.5% to 2.5% from 1 July 2019; and
- faster higher education repayment and threshold changes from 1 July 2018.

More information on the tax and related announcements is also contained in a number of Budget press releases on the [Treasurer's website](#) and the [Minister for Revenue's website](#).

Where to get Budget documents

On the web

The 2017-18 Budget Papers are available from the following website:

- Budget 2017-18 - <http://www.budget.gov.au/>

Print copies

The 2017-18 Budget Papers are also available for sale from the CanPrint Communications Pty Limited. Details are on the Budget 2017-18 website at <http://www.budget.gov.au/purchase.htm>

People Mentioned:

Scott Morrison; Treasurer; Minister for Revenue

Organisations Mentioned:

Medicare; ADI; ATO; tax; Australia; AA; Limited; ith; policy; government; costs; business; investment; Government; Morrison; Budget; port; lease; mining; wages; housing; education

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