

Master Builders SA

Member Update: Federal Budget 2017-18



Budget 2017-18

Businesses benefit from one-year extension for asset write-off

The popular \$20,000 instant asset write-off has been extended for one more year – but businesses will be limited to a \$1000 immediate write-off after 30 June 2018.

Businesses turning over less than \$10 million will continue to be able to claim an immediate tax benefit for the entire cost of purchased assets costing \$20,000 or less in a bid to encourage investment. Assets over that value need to be depreciated over time.

Master Builders SA welcomes the extension and hopes the measure will be considered as a permanent feature of Australia's taxation system in future Budgets.

The Federal Government has provided no indication of its likely extension beyond 2018.

Big infrastructure spend focuses on eastern states

The Federal Budget's \$75 billion infrastructure bonanza has limited big builds for South Australia.

The Budget confirms the existing \$1.6 billion contribution for North-South Corridor projects including the Darlington Interchange, the Northern Connector and the Torrens to Torrens project.

It does, however, introduce some new funding.

Local councils will receive \$40 million over two years to improve roads, and shipbuilder ASC will receive \$55 million over five years to help build Osborne. The full value is considered commercial in confidence.

Port Augusta will receive \$110 million for a solar power generator, expected to produce 1000 construction jobs, and a business case for two gas pipelines has also been funded.

Apprentice support tied to higher foreign visa costs

Apprentices will gain improved support through a \$60 million contribution to the Australian Apprenticeship Support Network program, while a new \$1.5 billion Skilling Australians Fund will provide incentives to improve completion rates.

State Governments will be expected to contribute to the Skilling Australians Fund, but the repurposing of 457 visas and the introduction of new levies on foreign worker visas will also be called upon for the funding of apprentice support. A \$1150 levy will be placed on two-year visas and \$2400 on four-year visas, and additional annual fees will be payable for businesses employing foreign workers.

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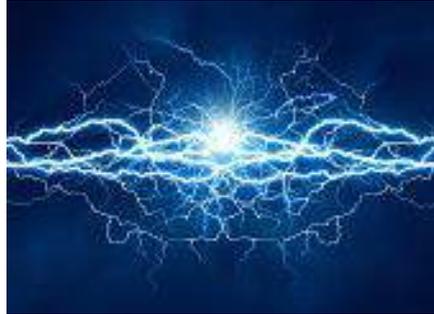


Higher Medicare costs and banking tax for stability

A new tax on big banks will provide \$6.2 billion relief for the Budget bottom-line, but the sector has warned the money “must come from somewhere” – a clear indication of higher charges.

The Government has also instituted a 0.5 lift in the Medicare Levy to bring in an additional \$8 billion to pull back the deficit.

Breaches of the Australian Consumer Law will attract penalties up to \$10 million for companies and \$500,000 for individuals, and the Australian Securities and Investments Commission is expected to raise charges to cover a \$112.6 million education campaign to improve financial literacy.



Vital investment in power for South Australia

The Coalition has moved to address the vital issue of energy security with a \$265 million power plan. The plan includes \$110 million for a solar thermal plant at Port Augusta which is expected to create up to 1000 construction jobs and 50 ongoing positions.

Another \$36.6 million has been committed over the next two years to new power infrastructure projects, and other measures seek to increase gas supply, such as new drilling and the potential for pipelines connecting Western Australia and the Northern Territory to the east coast via Moomba. This is crucial given gas's role as the only baseload replacement for coal-based energy.



Grab bag of measures for housing affordability

Housing affordability is a complex issue with no simple solutions. Master Builders SA welcomes the inroads the range of measures in the Budget makes and urges bipartisan support. First home buyers can make up to \$30,000 of additional superannuation contributions to save for a deposit as part of a “Super Saver” scheme. The release of Commonwealth land will assist supply, while \$1 billion has been committed to fund critical housing sector related infrastructure. Master Builders SA welcomes after-tax super contribution measures to encourage downsizing where those aged over 65 can contribute up to \$300,000 from selling their homes (if they have lived in the home for at least ten years).

Unfortunately, property investors have taken a hit in the Budget with a range of cutbacks. About \$540 million will be clawed back by scrapping tax deductions relating to expenses incurred whilst visiting investment properties, and another \$260 million will be raised by tightening depreciation deductions for investment properties. In further unwelcome news, a 50 per cent cap has been introduced on foreign ownership in new property developments.

A slowly-improving economy – but slow housing

Australian gross domestic product is forecast to move from the current 1.75 per cent annual growth to 3 per cent over coming years, while price growth picks up from 2 per cent this year to 2.5 per cent in 2019-20. Non-mining investment is forecast to move from 1.5 per cent growth this year to 4.5 per cent in the two following years, while household consumption is also expected to grow from 2.5 per cent to 3 per cent in 2018-19.

But while businesses face higher wages (2 per cent growth currently, up to 3.75 per cent in 2020-21) in the face of falling unemployment (currently 5.75 per cent, falling to 5.25 per cent in coming years), national housing investment is forecast to grow 4.45 per cent this year but shrink 4 per cent in 2018-19.

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