

SUPER AND THE POLITICAL ENVIRONMENT

This Newsletter is to give you some information about the potential landscape if the Labour Party takes government in the next election. A Labour win is what the experts are predicting, and we don't want you to have any surprises.

What is Labour proposing:

1. **NEGATIVE GEARING**

The proposal under Labour is to disallow negative gearing except on "new" housing.

These changes will be "grandfathered" so that those with current investment portfolios that are negatively geared will continue.

Negative gearing will only be allowed on New Builds with the hope that this might help stimulate the building sector.

You will not lose your losses, they will be offset against other investment income or offset against the capital gain when the asset is realised.

2. **CGT discount**

There will be a reduction of the CGT discount for individuals from 50% to 25%. Again, changes will be "grandfathered".

There will be no change to the CGT discount for superannuation funds.

There will be no changes to the CGT discount for small business assets.

3. **SMSF and LRBA**

Labour want to abolish new Limited Recourse Borrowing Arrangements on housing investments.

Some alternatives to consider:

- a. Use equity outside of super
- b. Cheaper and easier than using banks
- c. Allow in-specie transfer of larger properties
- d. Unit Trusts?

4. **Contribution Limit Changes**

The proposal is to reduce the Non-Concessional Cap from \$100,000 to \$75,000. The three year bring forward rule is not currently being reduced.

Return to SGC rates moving up to 12% limit – "when prudent"

Additional tax on super contributions which reduces the tax concession for individuals whose combine income and contributions are greater than \$200,000. Currently this is \$250,000 down from the original \$300,000. The rate is 15% of the individual's taxable contributions.

The work test re-instated (10% test back in)

Labour will repeal the Concessional Contributions "catch up" provisions.

5. **Franking Credits**

This is being billed as a tax on the wealthy.

Applies to individuals as well as superannuation funds (not just SMSFs).

..... continued on next page

EASTER OFFICE CLOSURES

Stubbs Wallace Offices will close 5:00pm Thursday 18 April 2019 and
will re-open 8:30am Tuesday 23 April 2019

..... continued from previous page

6. Tax Agent Fee Deductions

Plan to cap deduction on management of tax affairs to \$3,000. This only applies to individuals. According to our information this has arisen because 48 individuals claimed over \$1million each in tax agent fees.

7. Members in a SMSF

Labour does not intend to increase the number of members of a SMSF to 6, they are going to keep the rules as they are, that is less than five.

Please note this is just general information based on what we know now. This information is subject to change and is all based on Labours current policies without any details.

We see this as a time to be informed and possibly think about getting advice from the appropriate advisor with regard to making a \$100,000 contribution sooner, that is before an election. As with all changes there are opportunities, so being informed and proactive is the best option.

If you would like any further information, please contact Stubbs Wallace.

Important:

This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

STUBBS WALLACE PTY LTD

www.stubbswallace.com.au

SHEPPARTON

160 Welsford Street, SHEPPARTON VIC 3630 • PO Box 5, SHEPPARTON VIC 3632
Ph 03 5821 4622 • Fax 03 5821 1598
admin@stubbswallace.com.au

FINLEY

56 Denison Street, FINLEY NSW 2713 • PO Box 229, FINLEY NSW 2713
Ph 03 5883 1477 Fax 03 5883 2240
finley@stubbswallace.com.au

DENILIQUIN

286-288 George Street, DENILIQUIN NSW 2710 • PO Box 1329, DENILIQUIN NSW 2710
Ph 03 5881 7888 • Fax 03 5881 7588
deniliquin@stubbswallace.com.au



PO Box 5
SHEPPARTON VIC 3632

POSTAGE
PAID
AUSTRALIA

«Mail_Name»

«Postal»