



Australian Government

The Treasury

TREASURY LAWS AMENDMENT (HOUSING TAX INTEGRITY) BILL 2017

SUMMARY OF CONSULTATION PROCESS

Schedule 1: Travel related to use of residential premises: The Government announced in the 2017-18 Budget (on 9 May 2017) that it would disallow the deduction of travel expenses relating to residential investment properties from 1 July 2017.

This measure was included in Treasury Laws Amendment (Housing Tax Integrity) Bill 2017, which received Royal Assent on 30 November 2017.

Schedule 2: Limiting depreciation deductions for plant and equipment in residential premises: The Government announced in the 2017-18 Budget (on 9 May 2017) that it would limit plant and equipment depreciation deductions relating to residential investment properties to assets not previously used.

This measure was included in Treasury Laws Amendment (Housing Tax Integrity) Bill 2017, which received Royal Assent on 30 November 2017.

Consultation process

Schedule 1: Travel related to use of residential premises: Public consultation on disallowing deductions of travel expenses was conducted between 14 July 2017 and 10 August 2017. Twenty nine submissions were received.

Submissions can be viewed on the Treasury website www.treasury.gov.au.

Schedule 2: Limiting depreciation deductions for plant and equipment in residential premises: Public consultation on limiting plant and equipment deductions for investors in residential premises was conducted between 14 July 2017 and 10 August 2017. Fifty three submissions were received.

Submissions can be viewed on the Treasury website www.treasury.gov.au.

In addition, Treasury held meetings with a range of stakeholders on both measures.

Summary of key issues

Schedule 1: Travel related to use of residential premises: Stakeholders acknowledged that the personal income tax system created opportunities for excessive deductions. However, some stakeholders were concerned the measure conflicted with the fundamental principle of allowing deductions for expenses incurred in producing income.



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The ATO has actively monitored this area over many years. This activity has identified incorrect apportionment of travel costs and claims of travel costs that are private in nature. The measure addresses the systemic risk of incorrect claims for travel expenses associated with residential investment properties. A number of other deductions are specifically denied under tax law even though they would be deductible under the general principles.

Schedule 2: Limiting depreciation deductions for plant and equipment in residential premises:

Stakeholders acknowledged that the personal income tax system created opportunities for excessive deductions. However, some stakeholders expressed concerns that it was inequitable to disallow deductions for plant and equipment assets not purchased by the owner of a property. Stakeholders also considered these were compliance issues better addressed by the Australian Taxation Office (ATO).

In particular, stakeholders raised concerns that under the draft legislation investors would have been unable to claim plant and equipment depreciation deductions where developers rented out properties prior to selling the property. Following consultation, the legislation was amended to allow investors to claim plant and equipment depreciation deductions in situations where a developer/renovator tenants a property prior to selling it to an investor, provided the property is purchased by an investor within six months of the property being completed and the developer/renovator has not claimed depreciation deductions.

The ATO has actively monitored this area over many years, and has identified a number of issues relating to inflated valuations of plant and equipment assets. Compliance action is ill suited to limiting excessive depreciation claims as the current process of determining the opening values and remaining effective lives of depreciable assets largely involves a degree of estimation and subjectivity.

Feedback

Schedule 1: Travel related to use of residential premises: Feedback on the consultation process for this measure can be forwarded to consultation@treasury.gov.au . Alternatively, you can contact Ms Shanyn Sparreboom on 02 6263 2824.

Schedule 2: Limiting depreciation deductions for plant and equipment in residential premises: Feedback on the consultation process for this measure can be forwarded to consultation@treasury.gov.au . Alternatively, you can contact Ms Shanyn Sparreboom on 02 6263 2824.

Thank you to all participants in the consultation process.