

What is in the Federal Budget that may affect the Property Market

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The Federal Budget handed down on the 12th May 2009 has little real impact on the property market other than the extension of the first home buyers grant.

First home owners who enter into contracts on or before 30 September 2009 will still be eligible for a grant of \$14,000 for an existing dwelling and \$21,000 for a new home. The more generous scheme will then be phased down and end after December 31. Between October 1 and December 31, the boost will be halved, meaning first home buyers will receive a total of \$10,500 for established homes and \$14,000 for new homes.

Many had thought that the grant may have been extended for new homes only as the current grant affecting new and also second hand homes was seen as contributing to an overheating of the first home buyers market.

Self Managed Superannuation Funds who are a growing purchaser of investment property have also been affected. From 1st July 2009 the maximum tax deductible concessional contributions will be halved. For those over age 50 it will reduce from \$100,000 to \$50,000. For those aged under 50 it will be reduced from \$50,000 to \$25,000. Thus, if less can be contributed there will be less available for SMSF's to invest.

The alternative for these funds is to investigate the "Instalment Warrant" market that allows super funds to become involved in property purchases where borrowed funds are involved. Most of the large banks and many other financial institutions have warrant products.

The Government also announced initiatives to make the most of Australia's sunny climate by investing \$1.3 billion in solar power initiatives. This measure will also be aimed at households in a bid to increase the amount of power that comes from an environmentally friendly source. They plan to increase the rebate for the replacement of electric hot water systems from \$1000 to \$1600. The Government has already announced a program to offer households with little or no ceiling insulation up to \$1600 to install energy saving ceiling batts and Landlords up to \$1000.

Homeowners should also assess their entitlement to the various Government solar cash-back schemes, including national rebates of up to \$8,000 on their installation of solar power. Please note that these rebates are subject to income thresholds. Please also note that this scheme is changing on July 1, 2009. Also, depending on where you live, you may be entitled to rewards of up to 60c per kilowatt hour for electricity your solar system generates (estimated to be around \$1,500 per year for a standard 1,000 watt system).

There have been no changes to negative gearing nor any changes to capital gains tax.

Please note: As at May 2009, the above is intended as news and not advice. As each individual's situation will vary depending upon specific circumstances relating to that individual you should seek professional legal or accounting advice as it relates to your circumstances.