



First home buyers and downsizers

The First Home Super Saver Scheme and Downsizer contributions

This factsheet is for

CSS, PSS, MilitarySuper, ADF Super or PSSap members.
If you have any questions about this factsheet please refer to the contact details on the last page.

At a glance

In 2018, the Australian Government introduced two new super measures for the purpose of reducing pressure on housing affordability.

These are known as the First Home Super Saver Scheme (FHSSS) and downsizer contributions.

First Home Super Saver Scheme (FHSSS)

The FHSSS is designed to assist first home buyers to save a deposit in the tax effective environment of their super fund. It allows individuals to make additional voluntary contributions to their super fund, which can then be withdrawn (including deemed earnings) at a later stage for the purpose of purchasing their first home.

The eligibility rules have been structured in a way that ensures the tax benefits can only be obtained by those purchasing their first home.

Downsizer contributions

Downsizer contributions allow an eligible home owner to sell their primary residence and contribute up to \$300,000 from the proceeds of the sale to their super fund without being subject to contribution eligibility rules. These contributions do not count towards any contribution cap.

The member must have owned the property as their primary residence for at least 10 years and they must be aged 55 or older at the time of the contribution to their super fund.

In detail

This section provides more detail around how the FHSSS and Downsizer contributions work.

First Home Super Saver Scheme (FHSSS)

Eligible contributions

Generally, any voluntary contributions above minimum mandated amounts—such as salary sacrifice and additional personal contributions—will be classed as eligible contributions. CSS supplementary contributions, MilitarySuper member contributions in excess of 5% and contributions made by DFRDB and MilitarySuper members to an Ancillary account will count towards the measure.

Any contributions that are mandated by legislation, industrial agreement or award are excluded. For example, mandated contributions of 15.4% and 16.4% for ordinary PSSap and ADF Super members, respectively, are not eligible contributions towards the FHSSS.

The maximum amount that can count towards the FHSSS is \$15,000 per financial year with a cap of \$50,000 in total.

Accessing contributions

When requesting release of FHSSS contributions (and earnings), an individual must meet specific criteria to be eligible.

They must:



Commonwealth
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Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397 | Australian Defence Force Superannuation ABN: 90 302 247 344 RSE: R1077063 | Commonwealth Superannuation Scheme ABN: 19 415 776 361 RSE: R1004649 | Public Sector Superannuation accumulation plan ABN: 65 127 917 725 RSE: R1004601 | Military Superannuation and Benefits Scheme ABN: 50 925 523 120 RSE: R1000306 | Public Sector Superannuation Scheme ABN: 74 172 177 893 RSE: R1004595

- have never held a freehold interest in real property in Australia, a lease of land in Australia, or a 'company title interest' in land in Australia;
- be aged 18 years or older; and
- have not previously made a request for release of funds under the FHSSS.

To access the FHSSS contributions, an individual will need to submit a request to the ATO who will determine eligibility, and the maximum amount that is able to be released. If the ATO determines that the individual is eligible, the ATO will issue a release authority to the individual's super fund with instructions to release the amounts to the ATO. The ATO will withhold tax from assessable FHSSS released amounts and will offset against any Commonwealth debts owing by the individual.

How much can be released?

The maximum amount that can be released through the FHSSS is a calculated amount that represents the voluntary contributions eligible for release (up to \$50,000) plus the associated deemed earnings related to those contributions.

Where eligible contributions exceed the FHSSS limits, the amounts that are eligible for release will be determined by counting those contributions made first to maximise the associated earnings that will be released. Where non-concessional and concessional contributions are made simultaneously, the non-concessional contributions are treated as having been made first.

Tax benefits

The purpose of the FHSSS is to provide tax benefits to increase savings for the use of purchasing a first home. The tax benefits are provided by the following means:

- Accumulation:
 - salary sacrificing means that savings are taxed at 15% on entry into super rather than at the individual's marginal tax rate (saving of up to 30%); and
 - earnings are taxed within super at a rate up to 15% and a deemed earnings rate is used to calculate the potential release amount.
- Withdrawal:
 - non-concessional contributions are withdrawn as a non-assessable non-exempt income;
 - concessional contributions are taxed at the individual's marginal tax rate with a 30% tax offset; and
 - any associated earnings from the released contributions are treated in the same manner as concessional contributions.

Once an individual has received an amount released under the FHSSS, they will be required to purchase their new home within 12 months. If they do not, they will either need to re-contribute the amount back to their super fund, or the ATO will charge an amount of tax that will broadly neutralise the tax concessions they received from accessing the scheme.

For more information about eligibility and the process for applying for a FHSSS release, visit the ato.gov.au

Downsizer contributions

Eligibility

This initiative allows for Downsizer contributions to be made for individuals who are age 55 or over where the contribution comes from the proceeds of a sale of a dwelling that was their main residence.

Downsizer contributions can be made from 1 July 2018 with the maximum amount allowed for the Downsizer contribution being the lesser of \$300,000 and the individual's share of the property that was sold.

If the eligibility criteria is met, the contribution is not restricted by work tests or contribution caps.

For a contribution to be a Downsizer contribution in respect of an individual, the following conditions must be satisfied:

- the individual must be aged 55 years or older at the time the contribution is made;
- the contribution must be in respect of the proceeds of the sale of a qualifying dwelling in Australia;
- the 10-year ownership condition is met;
- any gain or loss on the disposal of the dwelling must have qualified (or would have qualified) for the main residence CGT exemption in whole or part;
- the contribution must be made within 90 days of the disposal of the dwelling, or such longer time as allowed by the ATO;
- the individual must choose to treat the contribution as a Downsizer contribution, and notify their super provider in the approved form of this choice at the time the contribution is made; and
- the individual cannot have had Downsizer contributions in relation to an earlier disposal of a main residence.

For more information about eligibility and the process for making a Downsizer contribution, please visit the ato.gov.au

Where can I get more information?



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