Australian Government
Commonwealth Superannuation Corporation

FHSSSFS01
02/18

First Home Super Saver Scheme and Downsizer Contributions

Overview

As part of Budget 2017–18, released in May of last year, the Australian Government proposed the introduction of 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.

These initiatives target first home buyers attempting to enter the housing market and retirees looking to sell their home and downsize to a smaller property.

The Bill for these initiatives passed both houses of Parliament on Thursday 7th December 2017.

This factsheet is for...

CSS, PSS, MilitarySuper, ADF Super or PSSap members.

If you have any questions regarding this factsheet please refer to the contact details on the last page.

Commonwealth Superannuation Corporation (CSC) ABN: 48 882 817 243, AFSL: 238069, RSEL: L0001397

Defence Force Retirement and Death Benefits Scheme ABN: 39 798 362 763

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

Australian Defence Force Cover ABN: 64 250 674 722

Public Sector Superannuation Scheme ABN: 74 172 177 893 RSE: R1004595

1922 Scheme
DFRB Scheme
PNG Scheme
DFSPB
CSC retirement income

First Home Super Saver Scheme

Although the Bill for the FHSSS only passed parliament in December 2017, this scheme applies to all eligible contributions made from 1 July 2017.

The legislation allows individuals to make additional voluntary contributions to their super fund, which can then be withdrawn (including earnings) at a later stage for the purpose of purchasing their first home.

As it has been designed to provide financial benefits to those who are genuinely saving a deposit for the purchase of 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

The Downsizer contributions initiative will commence from 1 July 2018.

This initiative allows 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 eligibility rules are structured around the settlement date of the property and the contribution must be made to the super fund within 90 days of settlement. The member must have owned the property as their primary residence for 10 years and must also be aged 65 or older at the time of contribution to their super fund.

In Detail – First Home Super Saver Scheme

This section provides more details around how the FHSSS will work. Please note, as the Bill has only just passed, the ATO have not issued any Law Companion Guidelines yet and, once released, they may provide clarification on the scheme.

Eligible contributions

Contributions that count towards the FHSSS must be voluntary concessional or non-concessional contributions that are made within the contribution caps. This means that 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.

Mandated contributions made in respect of defined benefit interests are not eligible for release. CSS supplementary contributions and contributions made by DFRDB and MilitarySuper members to an ancillary account will count towards the measure. Currently, the MilitarySuper Trust Deed does not allow these contributions to be released. Upcoming legislative changes to the Superannuation Act 1976 will allow payment to be made where a valid release authority is submitted to CSC.

The maximum amount that can count towards the FHSSS is $15,000 per year with a cap of $30,000 in total.

Accessing contributions

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

- 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.

These rules ensure that release of funds under this scheme is made for genuine first home buyers.

Note: if the Commissioner determines the individual has suffered a financial hardship (defined as per regulations) then the individual is taken to have satisfied the first criteria.

To access the FHSSS contributions, an individual will be required 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 then issue a release authority to the individual’s super fund with instructions for release.

How much can be released?

The maximum amount that can be released through the FHSSS is a calculated amount that represents the voluntary contributions that are eligible for release (up to $30,000) plus the associated 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 recontribute 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.

In Detail – Downsizer Contributions

This section provides more details around how the Downsizer initiative will work. Please note, as the Bill has only just passed, the ATO have not issued any Law Companion Guidelines yet and, once released, they may provide clarification on the initiative.

Eligibility

This initiative allows for 'downsizer contributions' to be made for individuals who are age 65 or over where the contribution comes from the proceeds of a sale of a dwelling that was their main residence.

The changes apply to proceeds from contracts entered into 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, contribution caps or the Total Super Balance rules.

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

- the individual must be aged 65 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.

Where can I get more information?

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PSS – Public Sector Superannuation Scheme

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PSSap – Public Sector Superannuation accumulation plan

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FAX 1300 364 144
MAIL PSSap
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WEB csc.gov.au

ADF Super – Australian Defence Force Superannuation

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Military Super – Military Superannuation & Benefits Scheme

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