

# First Home Super Saver Scheme

The Government is introducing a First Home Super Saver Scheme (FHSSS) to help Australians boost their savings for their first home by allowing them to build a deposit inside superannuation.

The FHSSS will apply to voluntary superannuation contributions of up to \$15,000 per year and \$30,000 in total made from 1 July 2017. These contributions, along with deemed earnings (at the rate of the Shortfall Interest Charge), can be withdrawn for a home deposit from 1 July 2018. Pre-tax contributions are taxed at 15 per cent; withdrawals will be taxed at marginal tax rates less a 30 per cent offset.

The Government has released a consultation draft of legislation to implement the FHSSS.

### How would my savings be released?

The consultation draft provides that you would receive the funds after applying to the ATO and declaring your eligibility. The ATO will arrange for money to be released from your super and will pay it to you within a reasonable processing time. You would then have a set period to buy a home (see below).

This would ensure that you can have access to the funds on the day of exchange, allowing you to use the savings directly for the deposit.

### Who would be eligible to use the FHSSS?

The consultation draft provides that you may apply to have your savings released if you are 18 years or older, you have not used the FHSSS before, and you have never owned real property in Australia.

This means that if you have owned an investment property, commercial property or vacant land you would not be eligible to use the FHSSS. The FHSSS is intended to help people who are not already in the property market. You may be able to leverage your existing property to help you buy a home.

### What if my partner has owned a home?

If you would be eligible to use the FHSSS, you would not be disqualified just because a person you are buying your home with is not a first home buyer.

### What kind of home could I buy?

The consultation draft provides that you would have to purchase residential premises. This could include vacant land (if the land was to be built on), but would not include any premises that is not capable of being occupied as a residence, and would not include houseboats or motor homes.

### How long would I have to buy a home?

The consultation draft provides that you would have 12 months after releasing the savings to sign a contract to purchase a qualifying home. You would be able to ask the ATO for a 12-month extension.

### Would I have to live in the home?

Yes. The consultation draft provides that you must occupy the premises as soon as practicable, and for at least six months of the first 12 months after it is practicable to do so.

So, for example, if you bought a house-and-land package using the FHSSS, you would have to occupy the house for at least six months in the first 12 months after the house is built.

This would ensure the FHSSS is used to help purchase the saver's home, not (say) an investment property.

# Consultation draft: key design features

## How would the release amount be calculated?

The consultation draft provides that you would be able to withdraw up to your 'maximum release amount', which is equal to the sum of your eligible contributions and associated deemed earnings. If you made concessional contributions (e.g. through salary sacrifice), you would be able to withdraw 85 per cent of those contributions (reflecting the 15 per cent tax). You would be able to withdraw 100 per cent of any non-concessional contributions.

Deemed earnings calculated using the Shortfall Interest Charge (currently 4.78 per cent) would be based on when eligible contributions are made up until the date release amount is determined. Contributions made during 2017-18 would be taken to be made on 1 July 2017. Contributions in later years would be taken to be made at the start of the month they are made.

To calculate earnings and count contributions towards the annual and total contribution limits of the scheme, earlier contributions would count before later ones. However, within the same year any non-concessional contributions would be counted before any concessional contributions (e.g. salary sacrifice).

This would maximise the size of your deposit in most circumstances. You would be free to withdraw a smaller amount if you wished.

## What if the deemed earnings exceed actual earnings?

Historically, super fund earnings have generally exceeded the Shortfall Interest Charge. Therefore, this

## Share your views

The consultation draft legislation is intended to implement the FHSSS as described above. It is not yet law. The Government intends to introduce legislation into Parliament to make it law after considering the results of this consultation process.

Treasury is seeking views from all stakeholders on the draft legislation. Would the draft legislation, if enacted in this form, accurately implement the design features of the FHSSS? Could it result in any unintended consequences?

Please share your views on the draft legislation through the 'Consultations and Submissions' page at [www.treasury.gov.au](http://www.treasury.gov.au).

policy would generally be expected to increase the funds remaining in super for individuals using the scheme. A saver would never be able to withdraw more money than is in the saver's account(s).

## How much tax would be withheld on withdrawal?

The ATO would withhold an amount before releasing the savings to you, to ensure that you won't have to pay the tax in your next income tax return. The amount withheld would reflect the ATO's best estimate of your tax payable. If the ATO could not make an estimate, it would withhold 17 per cent of the withdrawal amount.

## What would happen if you do not buy a home in the period?

The consultation draft provides that you must either re-contribute the release amount into superannuation, or pay a tax equal to 20 per cent of the amount released from superannuation. This tax would remove the benefit of the tax concession you received by using the FHSSS, ensuring the tax concession is targeted at first-home buyers.

## Would accessing the FHSSS affect social security payments?

No. The consultation draft excludes the release amount from means tests, to prevent double-counting of income that was included in means tests when it was first earned.