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Super opportunity for first home buyers

January 2018

Legislation has passed that will enable eligible first home buyers to save for the deposit in the concessionally taxed superannuation system, using the First Home Super Saver Scheme (FHSSS or scheme).

This scheme may help participants to accumulate a larger deposit when compared to saving outside super.

The Government has produced an online estimator to illustrate the potential benefits of using the FHSSS. It compares making pre-tax super contributions with saving the same amount (less tax at personal rates) in a standard deposit account.

The estimator can be found at **www.budget.gov.au/estimator/**

Key dates

Contributions can be made to the scheme from 1 July 2017 and withdrawn from 1 July 2018.

What and how much can you contribute?

Only voluntary contributions you make to super will count towards your FHSSS balance.

Voluntary contributions include personal, salary sacrifice and additional employer contributions, but not compulsory employer contributions (such as Superannuation Guarantee) and certain other amounts.

Voluntary contributions are limited to $15,000 per year and a total of $30,000. These contributions also count towards the existing contribution caps.

How much and when can you withdraw?

Withdrawals are capped at $30,000 plus associated earnings. The Australian Taxation Office (ATO) will calculate the associated earnings based on a formula, not the actual earning rate. They will also determine the amount that can be released after allowing for applicable taxes.

You can withdraw from the scheme before you have found a place to buy, but you'll need to buy within 12 months of withdrawing. If not, the ATO may grant a 12 month extension.

The maximum I can withdraw?

The FHSS maximum release amount is the sum of your eligible contributions and associated earnings. This amount includes:

- 100% of eligible non-concessional contributions

- 85% of eligible concessional contributions
- associated earnings calculated on these contributions using a deemed rate of return – this is based on the 90-day Bank Bill rate plus three percentage points (shortfall interest charge rate).

Who can participate?

To participate in the scheme, you generally need to be aged 18 or over, have not used the scheme before and have never owned real property in Australia. You may still be eligible if you plan to purchase a home with a partner who doesn't meet the criteria.

What can you buy?

You must buy a 'residential premises' with any amount withdrawn using the FHSSS. This includes vacant land if you're planning to build. The premises has to become your home (not an investment property) and you need to occupy it for at least 6 months after you buy or build it.

What happens if you don't buy?

If you don't buy within the required timeframe, you can contribute the released amount back into super or keep the money and pay tax equal to 20% of the assessable amount.

Could you benefit from the FHSSS?

We can help determine whether saving for a home deposit using the FHSSS is a suitable option for you and assess other options.