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Downsizer contributions

Older Australians who sell an eligible property may be eligible to contribute to super by making a ‘downsizer contribution’.

Background

A downsizer contribution allows eligible individuals to contribute up to \$300,000 from the proceeds of the sale of a qualifying dwelling into super.

With respect to downsizer contributions:

- it forms part of the tax free component but does not count towards the client’s non-concessional contribution (NCC) cap
- a minimum age requirement applies (there is no upper age limit)
- it can be made regardless of the member’s total super balance (TSB)
- there is no requirement to purchase a new home
- the dwelling does not need to be the member’s main residence for the entire period of ownership or at the time of sale
- the contribution must be made within 90 days of receiving the proceeds of sale (usually settlement), and
- the ‘Downsizer contribution into super fund form’ (or other approved notification form) must be provided to the receiving fund on or before contributing.

In this article, we:

- detail the general eligibility rules
- cover client specific scenarios and how the downsizer contribution rules apply, and
- highlight strategic considerations when recommending a downsizer contribution.

Contents

General eligibility rules.....	2
What is a qualifying dwelling?.....	2
10-year ownership period.....	2
What is an ownership interest?	3
Vacant land and the 10 - year requirement.....	3
CGT main residence exemption applies	3
Role of the Accountant.....	3
Consider personal deductible contributions where capital gain realised.....	3
Subdividing a property and impact on 10-year ownership period.....	4
Value of the contribution.....	4
‘Single sale’ requirement.....	5
Making downsizer contributions and TSB ..	5
Administrative process	5
Extension of time	6
Fund may not accept contributions	6
Downsizer and the recontribution strategy .	6
Extended settlement	6
Contributing to accumulation if under Age Pension age	7
Useful resources	7

General eligibility rules

Individuals are eligible to make a downsizer contribution if they satisfy all of the following:

- they dispose of a qualifying dwelling
- they are at least 55 years of age¹ at the time the contribution is made (there is no maximum age)
- the dwelling was owned by the individual, their spouse or former spouse at all times during the 10 years prior to disposal
- the proceeds from the sale of the dwelling are exempt or partially exempt from capital gains tax (CGT) under the main residence exemption (or would qualify if the dwelling was a CGT asset rather than a pre-CGT asset).
- If the dwelling is solely owned by an individual's spouse, that individual would qualify for a full or part main residence exemption if that individual owned the dwelling.
- the contribution is made within 90 days of receiving the proceeds of sale (usually settlement). An application can be made to the [ATO](#) to have this timeframe extended.
- they provide the super fund with the approved [Downsizer contribution into super form](#) at the time or before the contribution is made, and
- they have not previously made downsizer contributions in relation to an earlier disposal.

Total downsizer contributions cannot exceed capital proceeds received and is limited to a maximum of \$300,000 per qualifying individual.

Advice tip

All new contributions, including downsizer contributions, are preserved until a condition of release is satisfied. If an individual making a downsizer contribution is less than age 65, consider whether they have satisfied a condition of release allowing access to their super benefits (including the downsizer contribution). Preservation age is 60 and this limits available conditions of release to those related to ill-health and financial hardship for those under preservation age.

What is a qualifying dwelling?

A qualifying dwelling is a residential building in Australia (eg house, unit and apartments) but does not include a houseboat, caravan or mobile home.

10-year ownership period

The individual, their spouse (including periods where the dwelling was held by the spouse's deceased estate) or former spouse must have held an ownership interest in a dwelling, or the land it is situated on, at all times during the 10 years prior to disposal (generally date of settlement of purchase to date of settlement of sale).

Example – Single eligibility

Tina has continuously owned her main residence for 17 years. She is selling her home to move closer to her daughter and grandchildren. Tina satisfies the 10-year ownership period.

Example – Sole owner - couple eligibility

David is the sole owner of the family home that he and his wife Dianne have lived in for the last 40 years. They plan to sell the home to downsize to a more manageable property. David's ownership period enables Dianne to meet the 10-year ownership period.

Example – 10-year ownership split between couple

Ben purchased a home (title solely in his name) on 1 December 2011 and lived there with his wife Joanne prior to his passing on 1 December 2018. Upon his passing, the title of the home transferred to Joanne. Now aged 70, Joanne sells the home and moves into a retirement village, with settlement occurring on 20 October 2025. Joanne satisfies the 10-year ownership period as this takes into account Ben's ownership period as her spouse.

Example – Relationship breakdown

Felicity gained title of her main residence 2 years ago following a relationship breakdown. Her former spouse owned the property for 9 years. Felicity satisfies the 10-year ownership period. The period of ownership includes the period the property was owned by her former spouse.

¹ The minimum age was 65 from 1/7/2018 – 30/6/2022; reduced to 60 from 1/7/2022 – 31/12/2022 and age 55 from 1/1/2023.

What is an ownership interest?

The meaning of 'ownership interest' is an individual's legal and equitable interest or a right to occupy in a dwelling or the land it is situated on and includes an interest as a joint tenant or an interest as a tenant in common. Ownership cannot be via a company or a trust (exceptions may apply, such as where an individual has absolute entitlement to the home owned by the trust in similar circumstances as described in [Draft Taxation Ruling TR2004/D25](#) and [Private Binding Ruling PBR 1052080504434](#)) – client should seek advice from qualified tax/legal adviser to confirm eligibility). This means that a person can be eligible to make a downsizer contribution if they sell their ownership interest in a home, even if other part owners do not.

Vacant land and the 10 - year requirement

Periods of time where land was vacant can still count towards the 10-year ownership period. However, to qualify for downsizer contributions the disposal must include an interest in a dwelling and qualify for at least a part main residence exemption. The following scenarios may qualify:

- an individual acquired a vacant block of land 12 years ago. They built and moved into a dwelling on the property 2 years ago.
- an individual acquired and moved into their main residence 11 years ago. After 6 years, they knocked down the dwelling and rebuilt another residence.

CGT main residence exemption applies

The dwelling disposed of must qualify for the main residence CGT exemption in whole or in part (or would qualify if it was a CGT asset rather than a pre-CGT asset). The property is not required to be the person's main residence at the time of sale.

This requirement means that an investment property may qualify if the individual had previously used the property as their main residence or was purchased as an investment property and later became the client's main residence. A dwelling that was an investment property for the entire ownership period will not qualify.

Example – Single owner meets 10-year requirement

Lucy, age 79, owned a residential property for 18 years. She rented the property for the first 12 years of ownership before it became her main residence until sold. Lucy can partially disregard the capital gain from the sale proceeds under the main residence CGT exemption and she has satisfied the 10-year ownership period.

Where a spouse does not have an ownership interest, this requirement is satisfied if the spouse would have been entitled to at least a part main residence exemption if they did have ownership in the property. A spouse that never lived in the dwelling cannot qualify.

Role of the Accountant

A registered tax agent should provide appropriate tax advice to determine any tax liability and to also confirm the application of at least a partial main residence CGT exemption at the time of sale. This is particularly important if dwelling is held through a trust.

Consider personal deductible contributions where capital gain realised

A personal tax deduction cannot be claimed for a downsizer contribution. If a client has realised a taxable capital gain on the disposal of the property, consider their eligibility to make a personal deductible contribution (eg age and work test requirements, and TSB if using catch-up).

Example – Multiple contribution types

Alice, age 66, sells a property that she has owned for 15 years for \$490,000. After applying a part main residence exemption and the 50% CGT discount, she has a taxable capital gain of \$100,000. After repaying debt, she has \$400,000 to invest. One of Alice's options is to:

- contribute \$300,000 as a downsizer contribution
- make a personal contribution of up to \$100,000, and
- claim part of the personal contribution as a tax deduction to reduce tax payable on her capital gain.

Subdividing a property and impact on 10-year ownership period

Subdividing land is usually not a CGT event, it merely creates a separate asset. For downsizer contributions, the ownership period is treated as held from the time that the ownership interest in the original parcel was first held. A client may be eligible for downsizer contributions where the block with a dwelling is disposed and it is eligible for at least a part main residence exemption. Sale of the vacant block of land won't qualify for downsizer contributions, unless it is sold at the same time and to the same person as the interest containing the dwelling².

Example – Subdivided land

Charlie owns his home on a two hectare block and he has lived in it for more than 10 years. He decides to subdivide the block and then sell the lot on which his residence was situated.

Charlie satisfies the downsizer super contribution requirements for the CGT main residence exemption and 10-year ownership period.

Note: If Charlie sells the newly created vacant block separately, he would be ineligible to claim the CGT main residence exemption and has not disposed of an interest in a dwelling (as merely vacant land). He cannot make a downsizer contribution from the sale proceeds.

Value of the contribution

Downsizer contributions are capped at \$300,000 for each eligible member and total combined downsizer contributions cannot exceed the individual's and their spouse's combined proceeds received from the sale of their interest in the property.

Proceeds received from the sale are not reduced by any debt repayment or costs incurred from the sale of the home.

Clients cannot use the market value substitution rules to increase the capital proceeds received and the amount of the downsizer contribution. That is, a client cannot make a downsizer contribution that exceeds the value of the sale price specified in the contract. This might occur if title is transferred under a 'life interest' arrangement, or when a property is sold for less than market value. For example, if an individual disposes of a \$500,000 dwelling for \$100,000, the maximum downsizer contributions is limited to the \$100,000 proceeds received.

Example – Tenants in common, couple

Wayne and Wendy, both aged 80, are married and have owned their home for 35 years as joint tenants (50% each).

They sell their home for \$500,000 and move into their holiday home. Wayne and Wendy are each attributed with \$250,000 of the capital proceeds based on their ownership percentage.

As they are a couple, downsizer contributions are capped at \$300,000 each and \$500,000 being the combined sale proceeds received for their interest in the property. Downsizer contribution options include \$250,000 each, or one may contribute \$300,000 and the other \$200,000 (combined amount cannot exceed \$500,000).

Example – Tenants in common, single

Samantha, age 68, and her friend Sarah, owned a property for 23 years as tenants in common. Samantha owns 60% and Sarah owns 40% of the property. Samantha has lived in the property on her own for the entire ownership period. The property is sold for \$400,000.

Samantha can make a downsizer contribution up to the lesser of \$300,000 and her percentage share of the sale proceeds, \$240,000 (60% of \$400,000). Therefore her maximum downsizer contribution is \$240,000. As the downsizer can only be used once from the sale of a single eligible dwelling. Samantha cannot use downsizer for the sale of a subsequent property meaning she can never utilise the \$60,000 shortfall from the maximum \$300,000 downsizer contribution cap.

Example – Tenants in common, single (continued)

Alternatively, if the property was sold for \$600,000, Samantha would receive proceeds of \$360,000 and could contribute \$300,000 as a downsizer contribution.

² To qualify it would also have to satisfy the definition of adjacent land under section ITAA97 118-120.

Advice tip

Where each member of a couple will not maximise their downsizer contribution cap, consider strategically allocating all or the majority to one member of a couple to maximise other contribution opportunities and/or the transfer balance cap, or delaying the use of the downsizer contribution for a future eligible property sale that may allow the cap to be maximised.

'Single sale' requirement

Multiple downsizer contributions cannot be made in respect of the same dwelling that is disposed of at different times, under separate contracts of sale. For example, an individual sells part of their ownership interest and makes a downsizer contribution. They cannot make another downsizer contribution when they dispose of their residual interest in that dwelling.

Multiple contributions can be made from the proceeds of a single sale of a dwelling, as long as the total contributions are within the \$300,000 cap (or total proceeds if lower) limit and made within the 90-day timeframe. This allows an individual to make downsizer contributions into different funds or to dollar cost average. The downsizer contribution election form must be provided for each contribution at the time or before the contribution is made.

Advice tip

If an individual has made a downsizer contribution for the disposal of their interest in a property, they cannot make another downsizer contribution for the disposal of their spouse's interest in another qualifying dwelling.

Making downsizer contributions and TSB

The previous 30 June TSB is an essential part of contribution planning. It is important to consider a client's (and partner's where applicable) TSB not just in the short term, but also how contributions made today will impact advice and contribution eligibility in the years ahead.

Generally, downsizer contributions must be made within 90 days after settlement. Where the 90 day window overlaps with the next financial year, there may be a strategic opportunity in making the downsizer contribution in the next financial year eg if an individual sells their property in May 2026, they can choose to make their downsizer contribution on or after 1 July 2026 and still within the 90 day downsizer contribution window. This will help keep their 30 June 2026 TSB down, which may help with other types of contribution in the next financial year (eg catch-up concessional contributions or NCCs).

Administrative process

An individual must provide the [downsizer contribution into super form](#) (available from the ATO website) to their super fund either before or at the time the contribution is made. If making multiple downsizer contributions (refer to 'Single sale requirement' above), a separate form for each contribution must be provided.

If the ATO becomes aware that the contribution does not satisfy the downsizer contribution eligibility requirements, the super fund that received the contribution is notified.

The fund must assess whether it could have accepted the contribution as an NCC. If the fund could not accept an NCC, the amount is refunded. If an NCC could be accepted, the trustee retains the contribution and it is assessed against the individual's NCC cap (if there is insufficient cap space this will result in an excess NCC).

Example – Invalid downsizer contributions

Paul, aged 77, sells his main residence for \$400,000 in August 2025. He provides a downsizer super contribution form to his fund and makes a downsizer super contribution of \$300,000. The ATO identifies that Paul hasn't satisfied the 10-year ownership period and notifies the fund. The fund must determine whether they can accept the contribution.

The super fund determines that as Paul is age 77 it cannot accept this contribution as an NCC. The \$300,000 contribution is refunded to Paul.

Advice tip

It is important to understand the method of payment and form lodgement process of the receiving super fund to ensure the form is submitted before or at the time of the contribution. Consider whether the form can be lodged before or at the time of the contribution if transferring funds electronically.

Extension of time

Where circumstances beyond the individual's control are likely to impact the person's ability to make a downsizer contribution within the 90-day timeframe, the ATO has discretion to consider those circumstances and may approve an extension of time. Examples where an extension may be granted include:

- ill health, and
- death in the family.

An extension is not granted to allow a person to meet the minimum age requirement. Applications and initial determinations are completed verbally over the phone. To apply for an extension the ATO can be contacted on 13 10 20. Where a person wishes to appeal a decision, this needs to be done **in writing**.

Fund may not accept contributions

You should check whether the fund accepts downsizer contributions, as it is not mandatory. This may be particularly relevant in relation to SMSFs, where a review of the trust deed may be required to ensure that the fund is not precluded from accepting certain types of contributions.

Downsizer and the recontribution strategy

Retirees considering selling the family home may have an opportunity to make super contributions under both the downsizer rules and the NCC cap. This means a couple may contribute up to \$660,000 each to super (\$300,000 downsizer contribution plus \$360,000 NCC). Consider the individual's eligibility to make NCCs and use the bring-forward (eg age and total super balance).

If the client would not otherwise make a downsizer contribution (eg the full sale proceeds will be used to purchase a new home) consider using downsizer contributions to maximise the recontribution strategy. A recontribution strategy involves making a lump sum super withdrawal and then making an NCC back into super. This strategy effectively reduces the tax payable on a future death benefit payable to a non-tax dependant by increasing the proportion of the benefit that is tax-free.

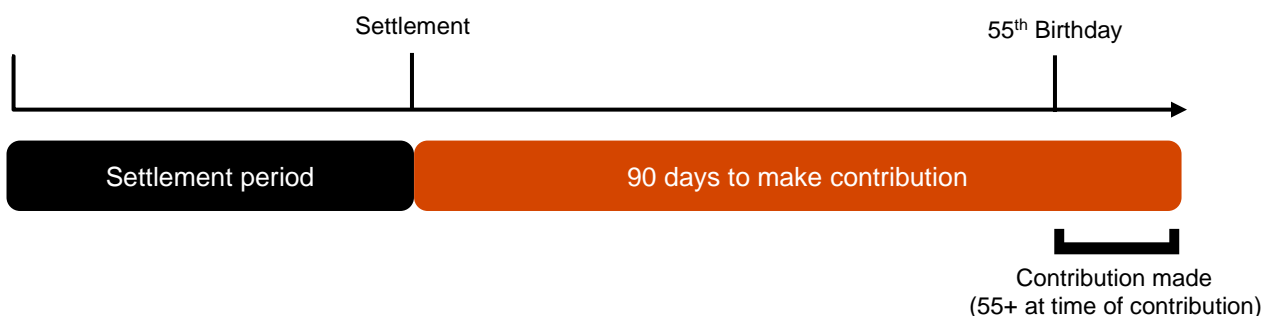
Where the age of the client does not permit an NCC (they are older than 28 days following the end of the month they turned 75), downsizer contributions may still permit a recontribution strategy.

Example – Age does not permit NCCs

Richard, age 80, is single and has sold his home. He satisfies the downsizer contribution eligibility criteria but intends to use the full amount of his sale proceeds to purchase a new home. Richard is concerned about the tax payable on a super death benefit paid to his adult children should he pass. He can apply the recontribution strategy by withdrawing \$300,000 from his super and make a downsizer contribution of \$300,000 back into his super fund. If the \$300,000 is withdrawn from a grandfathered account based pension, consider the potential impact on Richard's social security entitlements.

Extended settlement

Generally, downsizer contributions must be made within 90 days of settlement and the individual must be at least age 55 at the time of making the contribution. Where the individual is approaching their 55th birthday, consider the timing of settlement to qualify for downsizer contributions. If 90 days following settlement (factoring in time taken for the downsizer contribution to be received by the super fund) includes the individual's 55th birthday, they may make a downsizer contribution to super.



Contributing to accumulation if under Age Pension age

A downsizer contribution may assist with increasing a means-tested income support payment where an individual (or their partner) is under Age Pension age. Super in accumulation phase is not assessed for an income support payment until the member attains pension age.

Advice tip

Consider how a contribution strategy to maximise social security entitlements fits in to the client's broader financial planning objectives. For blended families, the estate planning considerations may 'outweigh' the dollar benefit from a social security entitlement.

Useful resources

The ATO have released some useful resources that provide guidance on the operation of the downsizer contribution measure and numerous examples that explain eligibility criteria.

Adviser resources

- [Law Companion Ruling LCR 2018/19](#)
- [Super Guidance Note GN 2018/2](#)

Important information and disclaimer

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