KnowHow

First Home Super Saver Scheme

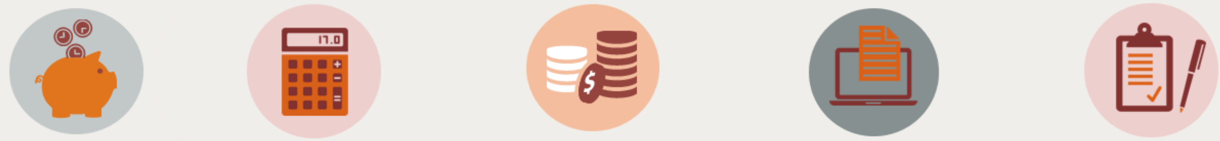
17 March 2022

Did you know that you may be able to make voluntary contributions to super to help save for a deposit on your first home? What are the potential benefits to using super? We explain more about the scheme below.

Tell me the basics - how does it work?

When it comes to saving for your first home, super probably isn't an investment option that springs to mind. Generally, super can only be accessed once you've retired or met another eligible 'condition of release', which could be a long way down the track.

However, under the First Home Super Saver Scheme (FHSSS), you may be able to make voluntary contributions to super, and you may be eligible to withdraw these amounts, plus associated earnings[1] to put towards a deposit on your first home. Below, we highlight the key steps you need to follow, and explain some of these concepts in more detail.



Make voluntary super contributions up to $15,000 per year

Ensure contributions don't exceed your annual concessional and non-concessional caps

Once you're ready to buy a home, apply to the ATO for a FHSSS determination to find out how much you can release

Lodge a release request to the ATO within the required timeframes

After funds are released, follow all required steps within necessary timeframes (see below)

Why use super to save?

There are a few potential benefits to using super to save for a home deposit, including:

- earnings in super are taxed at up to 15% and are concessionally taxed when you make a withdrawal from super under the scheme. Earnings on investments or bank accounts in your own name are taxed at your marginal tax rate (MTR) which could be up to 47%[2], and
- depending on the type of contributions you make, these amounts may reduce your assessable income for the year and therefore the tax you pay on your salary and wages and other income.

Being able to save in a way that also helps to manage tax may free up even more of your hard-earned funds and increase the amount you're able to save for that home deposit.

Am I eligible?

To be eligible for the FHSSS, you must meet certain conditions, including:

- be aged 18 years or older at the time you apply to withdraw the funds
- have not ever owned or had an interest in Australian real estate (including residential, investment and business properties)[3], and
- make **voluntary** super contributions (certain voluntary super contributions made since 1 July 2017 are accessible under the scheme).

[1] Earnings are deemed to accrue at a set rate known as the shortfall interest charge (SIC) which is 3.04% pa for Jan – March 2022.
[2] Including Medicare levy
[3] Exceptions may apply under financial hardship provisions, including where you've previously lost a property due to divorce, loss of employment or a natural disaster. This is at the discretion of the ATO.

What contributions can I make and access under the FHSSS?

You're able to make voluntary contributions of up to $15,000 per year within your ordinary contribution caps and can withdraw a maximum of $30,000 ($50,000 from 1 July 2022) of voluntary contributions plus earnings (calculated at a set rate by the ATO on the amount you withdraw[4]). You can read more about the different types of contributions and contribution caps at **ato.gov.au**

Note: The maximum withdrawal amount will increase from $30,000 to $50,000 of voluntary contributions (plus earnings) from 1 July 2022. The amount of voluntary contributions which can be made in a financial year and later withdrawn under the scheme remains limited to $15,000. This means to maximise the benefit of the scheme, contributions will need to be made over a longer period of time. There is no change to the requirement that these contributions must be made within your existing contributions caps.

Voluntary contributions include:

- Salary sacrifice
- Personal after-tax contributions
- Personal contributions you've claimed a tax deduction for
- Employer contributions above minimum required (Super Guarantee)

Voluntary contributions do not include:

- Mandatory employer contributions (Super Guarantee)
- Spouse contributions
- Government co-contributions
- Contributions made for you by another person

Applying to have funds released

Important timeframes and requirements
There are some important steps you must follow and particular timeframes you need to adhere to.

1. **Request and receive a FHSS determination**
   A FHSS determination provides you with the amount you're eligible to withdraw. You can request a determination via MyGov. You'll need to have requested and received a determination from the ATO **before** signing a contract of sale or for construction[5], or purchasing a home at auction. If you don't, you won't be eligible to access the contributions you've made to super.

2. **Request to withdraw funds**
   Provided you've received your FHSS determination, you may request to release (or withdraw) an amount up to the figure noted in the FHSS determination before or after you sign a contract. However, **if you apply *after* you've signed a contract, you need to make sure you do so within 14 days** (or you'll be charged additional tax). A release request can be made via MyGov.

After the funds are released there are additional requirements and obligations - see below.

[4] Earnings are calculated by the ATO at a set rate rather than reflecting actual fund earnings. The rate is the shortfall interest charge and has ranged from 3.01% to 3.04% over the 9 months since 1 July 2021.
[5] If you're building a home, you need to ensure you have applied for a FHSS determination **before** purchasing vacant land.

Taxation of funds

Some of the amount withdrawn will be subject to tax (known as the assessable amount). This includes any concessional contributions[6] that are released to you, plus any associated earnings that have accrued on any of the contributions released to you (either concessional or non-concessional). The assessable amounts are taxed at your MTR less a 30% tax offset. The ATO will estimate your income for the year in which you withdraw the funds and will withhold tax from the amount paid to you at your estimated tax rate.[7]

What happens after applying to release funds?

It generally takes the ATO 15-25 days to send the funds to you (see **ato.gov.au)**. You'll need to purchase a home or sign a construction contract within 12 months. If you don't, the ATO automatically provides an additional 12 month extension to you, and will notify you in writing. After you sign a contract you must notify the ATO within 28 days.

If you still haven't purchased a home or signed a construction contract within that timeframe, you'll need to either:

- recontribute the funds to super as a non-concessional contribution[8] for which you can't claim a tax deduction and notify the ATO[9], or
- pay FHSS tax of 20% on the assessable amount that was released to you, which is in addition to any tax payable on the withdrawal[10].

Also, you must move into your home as soon as possible after purchase or construction is complete, and you must intend to live there for at least six of the first 12 months.

What's the downside?

If you change your mind **after you've contributed** to super and no longer intend to purchase a home, the money you've contributed to super won't be accessible. If you change your mind **after the funds have been released**, you'll need to either recontribute the money to super, or pay additional FHSS tax.

What next?

To find out more about the FHSSS and to understand the different ways you can contribute, and the benefits it may provide to you, we recommend you seek financial advice and visit **ato.gov.au**.
You may also be eligible for other state-based stamp duty concessions or first home buyer grants and you should seek further information from the State Revenue office in your location.

[6] Concessional contributions include personal contributions which you have claimed as a tax deduction and salary sacrifice amounts.
[7] If the ATO can't estimate your income for the year and therefore your MTR, they will withhold tax on the assessable amount at 17% and any adjustment will occur when you submit your tax return for the year. This could mean that you need to pay additional tax when your tax return is processed.
[8] The contribution counts towards your non-concessional contribution cap. Tax penalties may apply if you exceed your cap. Refer to **ato.gov.au** or your adviser for further information.
[9] You can notify the ATO via your MyGov account.
[10] This will also apply if you recontribute the amount to super but you don't notify the ATO.