What you need to know about the First Home Super Saver scheme

The First Home Super Saver (FHSS) scheme was introduced a couple of years ago with an aim to reduce pressure on housing affordability. The scheme allows eligible taxpayers to save money for their first home inside the superannuation system. The government says this concessionally taxed environment will help first home buyers save faster.

HOW IT WORKS

Under the scheme, a taxpayer can make voluntary concessional and non-concessional contributions into their super fund to save for a first home. This has applied since 1 July 2017. Then they can apply to release these voluntary contributions (along with related earnings), in order to help buy a home.

First home buyers must also meet the following conditions. They must:

- either live in the premises, or intend to as soon as is practicable
- intend to live in it for at least six months within the first year of it being owned, after it is practical to move in.

The scheme allows for a maximum of $15,000 of these voluntary contributions from any one financial year to be released, up to a total of $30,000 across all years. Earnings related to these amounts are also available.

There are however certain limits in percentage terms on withdrawals. You can withdraw, taking into account the yearly and total limits:

- 100% of non-concessional (after- tax) amounts
- 85% of concessional (pre-tax) amounts.

Note that SMSF members must ensure that their fund's trust deed allows for the release of funds to members as is drafted in the FHSS scheme.

ELIGIBILITY

Contributions can be made at any age, however the release of funds or even requesting a determination about amounts under the scheme is limited to those who are 18 years and older

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Also, scheme users must have:

- never owned Australia property, including an investment property, vacant land, commercial property, a lease of land in Australia, or a company title interest in land in Australia (there's an exception for financial hardship)
- not made a previous request to release funds under the FHSS scheme.

Eligibility is assessed on an individual basis. This means that couples, siblings or friends can each access their own eligible FHSS contributions to purchase the same property. If any have previously owned a home, it will not stop anyone else who is eligible from applying.

TYPES OF CONTRIBUTIONS ACCEPTED

You can make the following existing types of contributions towards the FHSS scheme:

- voluntary concessional contributions – including salary sacrifice amounts or contributions for which a tax deduction has been claimed (usually taxed at 15% in the super fund)
- voluntary non-concessional contributions you have made – these are made after tax or if a tax deduction has not been claimed.

You can contribute up to your existing contribution caps. Having amounts released under the FHSS scheme does not affect the calculation of concessional or non-concessional contributions for cap purposes. That is, contributions still count towards your contribution caps for the year they were originally made.

What you need to know about the First Home Super Saver scheme *cont*

IMPORTANT THINGS TO KNOW

There are other important things you should be aware of. These include:

- It can be advisable to request the release of FHSS amounts around the same time you start your home buying activities – for example, when applying for a home loan.
- After you have requested the release, it may take between 15 and 25 business days to receive the money.
- You must apply for and receive a FHSS determination from the ATO before signing a contract for the first home or applying for release of FHSS amounts.
- If you have already received a determination and signed a contract to purchase or construct the home, you must make a valid release request within 14 days of entering into that contract. You can also sign the contract after you make a valid release request.
- The home must be located in Australia.
- You can only apply for release of FHSS amounts once.

FHSS scheme users have 12 months from the date you make a valid request for release of FHSS amounts to do one of the following:

- sign a contract to purchase or construct your home – you must notify the ATO within 28 days that you have signed the contract
- recontribute the assessable FHSS amount (less tax withheld) into your super fund – you must notify the ATO within 12 months of the release request date that you have recontributed.

If you don't notify the ATO that you have done one of the above, or you keep the FHSS money, you may be subject to an FHSS tax. This is a flat tax equal to 20% of the assessable FHSS released amounts. This may not be the same as the total amount released.

We can provide further guidance should the FHSS scheme be of interest to you or anyone you know. ■