

First Home Savers Account

From 1 October 2008

The First Home Saver Account ('FHSA') initiative will allow eligible Australians to save larger deposits for their first home.

Essentially, the FHSA is a bank account (or savings account) that will be available through certain account providers.

Eligible individuals will be able to make after-tax contributions into an FHSA, and these contributions will be partly matched with a Government contribution (individuals will not need to apply for the Government contribution).

ELIGIBLE INDIVIDUALS

Before an individual can open an FHSA, certain eligibility criteria must be satisfied, which will be based around the criteria normally used for the First Home Owner Grant.

An individual can only open an FHSA if the individual:

- Is aged 18 or over and under 65;
- Is an Australian resident for taxation purposes;
- Has not previously purchased or built a first home in Australia to live in;
- Has not previously opened an FHSA – this means that only one account can be opened per individual and (generally) once closed cannot open another FHSA
- Quotes their tax file number; and
- Meets the standard proof-of-identity requirements.

KEY CONTRIBUTION FEATURES

- Overall balance will be capped at \$75,000; this includes Government contributions;
- Contributions can only be made from an individual's after-tax income; salary sacrificed contributions cannot be made into the account.
- Government co-contributions will be a flat 17% on \$5,000 of personal contributions each year.

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TAX CONCESSIONS

- Contributions into an FHSA (including Government contributions) will not be subject to tax when contributed to an account;
- Investment earnings (or interest) in the account will be taxed at a rate of 15%; and
- Withdrawals will be tax free if used to purchase or build a first home to live in.

WITHDRAWALS

Withdrawals can only be made in the following circumstances:

- To buy a first home to live in for at least six months;
- To roll into a super fund;
- As a lump sum withdrawal when the account holder is aged 60 or over.

It will not be possible to withdraw the money during the first 4 financial years of the FHSA's operation (even in order to buy a house – other than in limited circumstances when buying a house with another qualifying FHSA holder).

A withdrawal will only be permitted if at least \$1,000 has been contributed in 4 separate financial years.

Therefore, the shortest potential time-frame between opening an account and withdrawing funds to purchase a house is 24 months and 2 days.

EXAMPLE

This time-frame would be possible if:

- FHSA was opened with a **\$1,000 contribution on 30 June 2009**
- **Further \$1,000 contribution** was made in each of the years ending 30 June 2010 and 2011
- **Final \$1,000 contribution** was made on 1 July 2011.



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