First Home Super Saver Scheme

The First Home Super Saver (FHSS) Scheme helps you save for your first home by using the tax concessions available within super to build your deposit faster.

How does the FHSS Scheme work?

Under the FHSS Scheme an individual can make voluntary contributions including both concessional (before-tax) and non-concessional (after-tax) contributions and then withdraw those contributions to use towards purchasing their first home.

There are maximum contribution limits per person of up to $15,000 per financial year and up to a total of $30,000 across all years (plus earnings). If you're a couple, you can both use the FHSS Scheme, which means you can save a total of $60,000 within super.

Voluntary contributions made from 1 July 2017 are eligible for withdrawal under the FHSS Scheme.

Am I eligible?

To qualify for the FHSS Scheme, you must:

- be 18 years or over;
- have not previously owned property in Australia such as an investment property, a long-term lease of land or commercial property;
- have not previously withdrawn FHSS funds from your super (i.e. you can only access once);
- either live or intend to live in the property you are buying as soon as possible/practical; and
- intend to live in the property for at least 6 months of the first 12 months you own it (after it is practical to move in).

Please note, if you have previously owned property in Australia and the Australian Taxation Office (ATO) determines that you have suffered a financial hardship, you may still be able to use the FHSS Scheme to help save for your home.

How much can I save in super for my home deposit?

The amount of voluntary contributions that can count towards the FHSS Scheme in any one financial year is $15,000 and the total across all years is $30,000 (plus earnings) per person.

Voluntary contributions include:

- salary sacrifice;
- personal contributions for which you have claimed a tax deduction; and/or
- personal after-tax contributions.

These voluntary contributions plus any other contributions you or your employer make, must not exceed your annual superannuation contribution caps.

For the 2019/20 financial year these are:

- $25,000 for concessional (before-tax) contributions
- $100,000 for non-concessional (after-tax) contributions

Making a FHSS Scheme withdrawal from your super does not change the calculation of your concessional or non-concessional contributions for contribution cap purposes. That means your contributions still count towards your contribution caps for the year they were originally made.

For more information on contribution caps please see our 'Contribution Caps' fact sheet available at **eisuper.com.au/factsheets**.

How much could I save?

The potential size of the benefit provided by the FHSS Scheme depends on your marginal tax rate, the size of the additional annual super contributions you make and how long you wait to withdraw them.

Let's look at a case study

Peter wants to buy his first home and decides to save some of his deposit inside super using the FHSS Scheme.

- He earns $80,000 a year.
- His marginal tax rate for the 2019/20 financial year is 34.5%.
- He directs $10,000 of his before tax salary into his super account each year using salary sacrifice.
- He pays 15% contributions tax.
- When he withdraws the funds he pays his marginal tax rate (34.5%) less a 30% offset = 4.5% on the funds he has invested and the earnings applied to them.

Let's take a look at how much Peter could benefit by saving inside super using the FHSS Scheme as compared to a standard saving account. Over three years Peter could save:[1]

	First Home Super Saver	Standard savings account
Before tax amount	$30,000	$30,000
– Tax	15% contributions tax	34.5% marginal tax rate
After tax amount	$25,500	$19,650
+ Earnings	3% + current bank bill rate	2%
– Tax after offset applied	4.5%	N/A
Withdrawal after 6 years	**$26,436**	**$20,246**

Peter's overall saving via the FHSS Scheme would be $6,190 more than if he used a standard savings account.

If Peter reduced his salary sacrifice to $5,000 each year, over six years he could save even more.[1]

	First Home Super Saver	Standard savings account
Before tax amount	$30,000	$30,000
– Tax	15% contributions tax	34.5% marginal tax rate
After tax amount	$25,500	$19,650
+ Earnings	3% + current bank bill rate	2%
– Tax after offset applied	4.5%	N/A
Withdrawal after 6 years	**$28,392**	**$20,866**

Peter's overall saving via the FHSS Scheme would be $7,526 more than if he used a standard savings account.

How do I withdraw my savings?

You can apply to the ATO via your MyGov account to determine the value of the contributions you have made that are eligible to be withdrawn under the FHSS Scheme. This determination by the ATO will tell you the maximum amount you can withdraw. You can request this information on more than one occasion.

The maximum amount you can withdraw, taking into account the yearly and total limits are:

- 100% of your non-concessional (after-tax) contributions made after 1 July 2017
- 85% of concessional (pre-tax) contributions made after 1 July 2017.

When you're ready to start the process of purchasing a home, you will need to apply to the ATO to withdraw your savings from your super (the ATO refers to this withdrawal as a release). There are however some important points that you should be aware of.

1. You can only apply for a FHSS withdrawal once.
2. You must confirm that you will not claim further tax deductions on the non-concessional contributions included in the determination.
3. The withdrawal must be made before you sign a contract to purchase or construct residential premises or you may be liable to pay FHSS tax.

Your savings will also include deemed earnings which will be taxed at your marginal tax rate less a 30% offset. Where the ATO is unable to estimate your expected marginal tax rate the withdrawn amounts will be taxed at 17%.

Once you request a withdrawal, it will take approximately 25 business days for you to receive the funds.

1 Assumptions: contributions are made by an individual from the 2019/20 financial year. Standard deposit account earns 2% interest per annum. Contributions are made within the contribution caps. Estimates include 2% Medicare levy and a shortfall interest charge of 4.96%. Withdrawal tax assumes marginal rate of 34.5% less a 30% tax offset.

What happens after I've withdrawn my deposit?

Once you have withdrawn your deposit, you have up to 12 months to sign a contract to purchase or construct a home or you may be liable to pay FHSS tax.

The contract must be for a residential property. It cannot be for any of the following:

- any premises not capable of being occupied as a residence;
- a houseboat;
- a motor home; or
- vacant land (unless purchased to build a home on).

For more information on the First Home Super Saver Scheme, please refer to the ATO website **ato.gov.au**.

Seek professional advice

If you'd like to save for your first home using your super and would like to speak to an EISS Financial Planner, please call us on **1300 369 901** or visit **eisuper.com.au/appointment**.

We're here to help

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