

# First home saver accounts – how can you benefit?

## WHAT ARE THE BENEFITS OF A FIRST HOME SAVER ACCOUNT?

With first home saver accounts, the more money you save, the more the government will contribute (up to a certain limit each year).

- The government will make a contribution equal to 17% of your personal contributions for the financial year up to a maximum of \$850 for the 2008–09 year. So if you contribute \$5,000 or more to your account during the 2008–09 year, the government will contribute \$850 to your account.
- The maximum annual government contribution will be indexed over time.
- Earnings on first home saver accounts are taxed at 15% but this is **payable by the account provider**.
- You don't have to report any income you earn from your account on your tax return.
- Withdrawing your money is tax-free.
- You can deposit as little or as much as you like every year, up to a maximum account balance cap over the life of the account. This amount includes any:
  - earnings over the years
  - contributions the government has made.

⚠ The cap is \$75,000 for the 2008–09 financial year and will be indexed over time.

## HOW IS A FIRST HOME SAVER ACCOUNT DIFFERENT FROM A NORMAL ACCOUNT?

First home saver accounts are designed to help you buy your first home.

They're a special purpose account, more like a term deposit than an everyday account, because the money deposited to it has to stay there for a minimum period of time. Once that time has passed and you make the decision to buy or build your home, you have to withdraw all the money at once and close the account.

## HOW CAN YOU USE THE MONEY IN YOUR FIRST HOME SAVER ACCOUNT?

You must put the full amount of money in your account towards buying or building your first home. This can include paying:

- a deposit for the purchase of an existing home
- a deposit or instalments for a home and land package
- for the purchase of vacant land on which your home will be built
- a deposit or instalments for the construction of a home on land you own
- incidental costs you incur in buying or building the home, such as legal expenses, council fees and stamp duty.

- ⚠ There are penalties if you:
- withdraw the money from your first home saver account but don't use the money within six months to acquire a home, or
  - don't satisfy the occupancy rule (see 'The occupancy rule' in *First home saver accounts – what qualifies as a home?* (NAT 72453)).

## EXAMPLE

Kate has a first home saver account and makes a verbal agreement to buy her first home that she intends to live in. She withdraws the balance of her account for the deposit but then changes her mind and uses the money to finance her living expenses while she studies full-time at university.

Kate is not entitled to use the money in her first home saver account in this way and will be subject to penalties.



## WHAT HAPPENS IF YOU DECIDE NOT TO BUY OR BUILD A HOME?

If you've been saving money in a first home saver account and you decide not to go ahead with buying or building your first home, remember:

- you have to close your account
- you have to transfer the funds into your superannuation, and
- you can't ever open another first home saver account.

### ➤ MORE INFORMATION

For more information about the first home saver account:

- refer to:
  - *The first home saver account – what you need to know* (NAT 72406)
  - *First home saver accounts – who is eligible?* (NAT 72449)
  - *First home saver accounts – how do they work?* (NAT 72452)
  - *First home saver accounts – how does the account balance cap work?* (NAT 72450)
  - *First home saver accounts – what qualifies as a home?* (NAT 72453)
  - *First home saver accounts – common questions* (NAT 72404)
- seek professional advice from a financial planner.

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If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

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