

First home saver accounts – who is eligible?

DO I MEET THE ELIGIBILITY CRITERIA TO OPEN AND HOLD A FIRST HOME SAVER ACCOUNT?

To open a first home saver account, you need to:

- be over 18 and under 65 years old
- have a tax file number you can quote in your application
- have not previously owned a home in Australia or Norfolk Island that has been your main residence
- have not previously opened a first home saver account.

If you meet all these conditions, you satisfy the eligibility criteria and can open a first home saver account.

You may still open a first home saver account if you:

- are transferring all the funds in one first home saver account to another first home saver account
- closed a first home saver account but the purchase or construction of your first home did not eventuate and you are opening another first home saver account within six months of closing the first one, or
- closed a first home saver account within the 14 day cooling off period.

If you buy or otherwise acquire a home that becomes your main residence (for example, if you inherit or win one), you're no longer eligible to hold a first home saver account. You must close the account and transfer the funds into your superannuation.

! Unlike other accounts you may only have one first home saver account. Some special rules can apply to reopening accounts – these are explained opposite.

HOW LONG DO I HAVE TO KEEP THE FIRST HOME SAVER ACCOUNT OPEN BEFORE I CAN WITHDRAW THE FUNDS TO BUY OR BUILD A HOME?

You have to contribute at least \$1,000 per year in your account in at least four financial years (not necessarily in consecutive years) before you can withdraw the funds.

This is known as the 'four-year rule'.

If you are acquiring the home with another individual or group of individuals, the four year rule need only be met by one of you.

WHAT CAN I USE THE FUNDS IN THE ACCOUNT FOR AND HOW LONG DO I HAVE TO SPEND THEM?

Firstly the funds have to be used in the course of buying or constructing your first home, and this can include:

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

You have six months to spend the funds after your funds are released from the account. If the purchase does not eventuate, you must re-contribute the amount to a new account within six months of closing the old one.



CASE STUDY

After finding the perfect property to buy as his first home, Andrew wants to use the money in his first home saver account for the deposit. He withdraws the funds from his account on 14 May 2013 and enters into a contract to buy a property (and spends all the funds on the deposit) on 15 May 2013.

Andrew has satisfied the payment rule because a home deposit is a cost of acquiring a first home and he spent all the funds in the first home saver account within six months of closing it.

CASE STUDY

Daniel is a builder, and he's been saving money in a first home saver account so he can buy a block of land to build his first home on. He withdraws the funds from his account on 10 October 2012 and enters into a contract on 14 October 2012 to buy a block. He spends all the funds before 10 April 2013 on the deposit, legal fees, council fees and building materials.

Daniel has satisfied the payment rule, because the money was used to acquire his first home and he spent all the funds in the first home saver account within six months of releasing his first home saver account funds.

CASE STUDY

Joshua's dream home is up for auction. However, he is unsure if he will be the successful bidder at the auction so he obtains a deposit bond instead of withdrawing his first home saver account funds. Joshua is successful at the auction. He exchanges contracts and uses his deposit bond. Joshua will satisfy the payment rule providing he uses all his first home saver account funds towards the amount due on settlement. Joshua can't use the funds post settlement because he has already acquired the home.

❗ If Joshua was to withdraw his first home saver account funds and was unsuccessful at the auction, he would have to use them to acquire another home within six months. Otherwise he can redeposit them into another first home saver account within this period and wait until another home he likes becomes available for purchase.

DO I HAVE TO BE AN AUSTRALIAN RESIDENT?

You do have to be an Australian resident for income tax purposes for at least part of the financial year to receive the government contribution. The Tax Office will work this out from your income tax return. However, you don't have to be living in Australia to open or contribute to a first home saver account – you can do this while you're living overseas, even if it's for several years. However, the home you purchase will need to be in Australia and it will need to be your main residence.

WHAT IF I ALREADY OWN A PROPERTY?

If you've already owned a home that you've lived in, you're not eligible. However, if you own an investment property that you've never lived in, you're still eligible to open a first home saver account.

CAN OTHERS MAKE PERSONAL CONTRIBUTIONS TO MY ACCOUNT?

Yes. Members of your family or others can make contributions into your account.

However, if your employer is making payments from your salary or wages into the account they will need to be after tax. They will be subject to pay-as-you-go (PAYG) withholding before making the contributions.

WHAT'S A HOME?

A home is a dwelling. This means a unit of accommodation that's fixed to the land, such as a house, flat, unit, apartment or townhouse. It does not include a demountable dwelling, mobile home, caravan or boat, unless it is suitable for occupation as a residence and is fixed to land that you own.

HOW LONG DO I HAVE TO LIVE IN THE HOME FOR?

You must live in the home for at least six months and it must be your main residence. The six month period must start:

- within 12 months of you becoming the owner of the home (which happens on settlement of the contract), or
- if the home is being built, within 12 months of the construction being completed. Generally, construction is completed when the certificate of occupancy is issued.

This is known as the 'occupancy rule'.

❗ Penalties apply if you open an account and are not eligible.

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 – how can you benefit?* (NAT 72451)
- *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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This publication was current in **August 2008**.