

The first home saver account

What you need to know



First home saver accounts will be available from 1 October 2008.

They offer you a simple, tax-effective way of saving for your first home through a combination of government contributions and concessional tax rates.

There are several government agencies that provide information on first home saver accounts.

- You may need to review information from other websites to assist in making a decision about whether these accounts will suit you. This includes the:
 - Australian Securities and Investments Commission (ASIC)
 - Australian Prudential Regulation Authority (APRA)
 - Treasury.

Eligibility

To open one of these accounts, you need to:

- be aged over 18 and under 65 years
- have a tax file number you can quote in your application
- have never owned a home in Australia that has been your main residence
- have never previously had a first home saver account.

Penalties can apply if you open an account when you're not eligible.

You can 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
- closed a first home saver account within the 14 day cooling off period.

You don't have to be living in Australia to open or contribute to a first home saver account. However, 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 benefits for you

There are several incentives to open a first home saver account:

- The more money you save, the more the government will contribute (up to a certain limit each year).
- There's a tax incentive to save money for your home because you don't pay tax on any earnings on the account. Earnings on first home saver accounts are taxed at 15%, but this is payable by the account provider.

You can use the money you save as a deposit and to meet other costs you incur in buying or building your first home. If you decide not to go ahead with buying or building your first home, you generally can't withdraw the funds – you'll have to put them towards your super.

How it works

After each financial year, you'll receive a government contribution based on your personal contributions during that year. When you're ready to buy or build your first home, you withdraw the funds and close your account.

Getting started

This is what you need to do:

- Choose the account provider you want to have your account with and read their product disclosure statement. Banks, building societies, credit unions, life insurance companies, friendly societies and trustees of public-offer super funds can all offer first home saver accounts.
- Remember, your first home saver account must be an individual account, not a joint account. However if you want to buy a home jointly, you can do so even if none of the other owner/s don't have a first home saver account.
- Make contributions from your after-tax income – you can't salary sacrifice into a first home saver account.
- Remember, you can't just take the money out whenever you want.

Opening a first home saver account doesn't prevent you from applying for a First Home Owner Grant, but you need to do this separately as there are different rules.

While you have your account

This is what you need to do:

- Make personal contributions of at least \$1,000 for each of four financial years (not necessarily consecutive years) before you can withdraw your money.
- Contribute as little or as much as you like every year, up to a maximum cap over the life of the account. The cap is \$75,000 for the 2008–09 financial year and will be indexed over time.

! Remember, other people (such as your parents or other family members) can help you out by contributing to your account.

The government will contribute 17% on top of your personal contributions up to a maximum of \$850 for the 2008–09 financial year after:

- you lodge your tax return (or notify us if you don't need to lodge a tax return), and
- your account provider has reported your personal contributions to us.

The maximum annual government contribution will be indexed over time.

! Remember, you can only have one first home saver account.

When you're ready to buy your first home

This is what you need to do:

- Make the payment towards buying or building your first home within six months of withdrawing the funds.
- Meet the occupancy rule. That is, you need to live in your home for at least six months as your main residence. The six month period must start within 12 months of:
 - your purchase settlement day, or
 - the building completion date.
- You can't just withdraw some of the money. You have to withdraw all of it and close your account. The withdrawal is tax-free.

When you reach the age of 65, your provider must close your account. The funds can be paid to you or, if you don't advise your account provider before your birthday that you want this, they will transfer the funds into your super.

What about the First Home Owner Grant?

You can still apply for a First Home Owner Grant if you decide to open a first home saver account. Being eligible for a first home saver account does not automatically mean you are eligible for a First Home Owner Grant, or vice versa. There are different rules.

More information

For more information:

- refer to
 - *Who is eligible for first home saver accounts?*
 - *How first home saver accounts can benefit you*
 - *How first home saver accounts work*
 - *First home saver accounts – common questions answered*
- seek professional advice from a financial planner.

If you do not speak English well and want to talk to a Tax Officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

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 appropriate TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

Our commitment to you

We are committed to providing you with guidance you can rely on. If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at **www.ato.gov.au** or contact us.

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