

Product update

1 July 2018

1. Downsizer contributions

From 1 July 2018, individuals aged 65 or over will be able to make a downsizer contribution of \$300,000 to their super from the sale proceeds of their primary place of residence. This limit of \$300,000 is a lifetime cap.

A person can make a lump sum downsizer contribution of \$300,000 or a number of contributions totalling \$300,000. These contributions will not count towards the non-concessional contribution cap. The downsizer contribution can still be made even if the individual's superannuation balance is more than \$1.6 million.

The downsizer contribution will not affect the individual's total super balance until their total super balance is re-calculated to include all their contributions, including the downsizer contributions, on 30 June at the end of the financial year.

The downsizer contribution will also count towards the individual's transfer balance cap, currently set at \$1.6 million. This cap applies when the individual moves their super savings into retirement phase.

A person can only make downsizing contributions for the sale of one home. The individual can't access it again for the sale of a second home.

Downsizer contributions are not tax deductible and will be taken into account for determining eligibility for the age pension.

Conditions to making a downsizer contribution include:

- The individual is 65 years old or older at the time they make a downsizer contribution
- The funds for the downsizer contribution comes from sale proceeds of their principal place of residence and the Contract of Sale exchanged on or after 1 July 2018;
- The downsizer contribution is made within 90 days of receiving the sale proceeds;
- The property was owned by the individual or their spouse for 10 years or more prior to the sale;
- The property is located in Australia and is not a caravan, houseboat or other mobile home;
- The proceeds from the sale of the property are exempt or partially exempt from capital gains tax under the main residence exemption, or would be entitled to such an exemption if the property was a CGT rather than a pre-CGT (acquired before 20 September 1985) asset;
- A completed downsizer contribution form is provided either before or at the time the individual makes the downsizer contribution to their superannuation fund; and
- The individual has not previously made a downsizer contribution to their super from the sale of another property.

Each spouse can make a downsizer contribution from the sales proceeds of the same property to their superannuation funds up to the lifetime cap of \$300,000 per person.

2. First Home Saver Scheme (FHSS) – Release

For individuals who have made voluntary contributions to their super under the FHSS, from 1 July 2018 they can now apply to the ATO to release these contributions along with the associated earnings to purchase their first home.

The eligibility criteria to apply for a release are:

- The individual has never owned a property in Australia – including investment property, vacant land, commercial property, a lease of land in Australia or a company title interest in land in Australia (unless the Commissioner of Taxation determines that you have suffered a financial hardship)
- The individual has not previously requested the Commissioner to issue a FHSS release authority in relation to the scheme.

3. Unused concessional cap carry forward

From 1 July 2018, if your total superannuation balance across all your funds is less than \$500,000 on 30 June of the previous financial year, you may be entitled to contribute more than the annual concessional contribution cap and make additional concessional contributions for any unused amounts.

The first year you will be entitled to carry forward unused amounts is the 2019–20 financial year. Unused amounts are available for a maximum of five years and after this period; the accrual from 5 years ago will expire.

4. Changes to early release of superannuation on compassionate grounds

From 1 July 2018, the ATO will take over the approval of early release of super on compassionate grounds from the Department of Human Services (DHS). Any new requests for early release will need to be submitted through the ATO online portal.