

FIRST HOME SAVER ACCOUNTS

FHSA



Overview

First Home Saver Accounts (FHSAs) are the first of their kind in Australia and will provide a simple, tax effective way for Australians to save for their first home through a combination of Government contributions and low taxes.

Eligibility

An individual can open an account if they:

- Are aged 18 or over and under 65;
- Have not previously purchased or built a first home in which to live;
- Do not have, or have not previously had, a First Home Saver Account; and
- Provide their tax file number to the provider.

The previous requirement that an individual be an Australian resident for taxation purposes has now been removed. However, an account holder will only be eligible for a government contribution if they are an Australian resident for taxation purposes.

Contribution arrangements

- Contributions must be made from after tax income. However, the contributions do not need to come from the account holder. They can be made by a third party such as a parent, grandparent, employer, etc.
- No minimum annual deposit is needed to keep the account open but minimum contribution rules apply if the individual wishes to withdraw the monies. (See next page).
- The account can remain open for as long as necessary or until the account holder turns 65, at which time it must be closed.
- The Government will contribute a flat 17% on the first \$5,000 (indexed) of individual contributions made each year.

This means an individual contributing \$5,000 will receive a Government contribution of \$850 every year.

- The Government will make additional contributions which will be paid directly into the account, after the individual has lodged their tax return and the provider has submitted the relevant information to the ATO.

Account balance limit

- There will be a limit of \$75,000 (indexed) on the overall account balance – once the account balance reaches the maximum, no further contributions can be made. However earnings accrued after the maximum will still be credited into the account

Taxation rules

- Contributions will not be subject to tax when contributed to an account.
- Investment earnings (or interest) within the account will be taxed at a rate of 15%.
- Withdrawals will be tax free (refer below).
- Government contributions made into FHSA's will not be taxed.
- FHSA balances will be exempt from the income and assets test.

Withdrawal requirements

- Individuals must have made contributions of at least \$1,000 per annum in four separate financial years in order to withdraw their monies. However, account holders who reach the account cap before they have satisfied the four-year requirement will be able to use the monies once the account has been open in four separate financial years.
- If an account holder is purchasing a property with another individual(s) who also holds an account, only one account holder needs to meet the four-year requirement. If one person meets this, then the other individual(s) can also withdraw their funds.
- For individuals to purchase their first home a full withdrawal will need to be made and the account closed. Individuals will be able to withdraw their account balances tax free to buy or build a first home in which to live.
- The individual will need to live in the home for at least 6 months within the first 12 months of purchase or completion of construction.
- The four year requirement does not apply if the withdrawal is made to exit a FHSA and contribute to the withdrawal to superannuation (see below).
- If the individual was already 60 or over at the time of this withdrawal, they may elect to withdraw their full account balance from their FHSA and receive a tax-free cash payment.
- Once an individual turns 65, a FHSA must be closed and the balance paid, tax-free, to the individual.
- However individuals can choose to close their account at any time and contribute the full amount to superannuation. Contributions will be assessed against the individual's non-concessional contribution cap.
- If the account holder dies, the account balance will form part of the deceased's estate.
- In the event of a relationship breakdown, the account will form part of assets which may be split under settlement.

Summary

- Simple, tax effective way (tax rate of 15%) to save for your first home available 1 October 2008
- Tax rate of 15%
- Still eligible for FHOG
- Minimum \$1,000 PA over four financial years

YEAR	Individual Contribution	Government Contribution	TOTAL
1	\$5,000	\$850	\$5,850 + Interest
2	\$5,000	\$850	\$11,700 + Interest
3	\$5,000	\$850	\$17,550 + Interest
4	\$5,000	\$850	\$23,400 + Interest
		\$7,000	\$23,400 + Interest + FHOG
			Approx. \$30,400 + Interest

Need more information?

Contact CA Financial Services to request further information or to speak to an advisor today.

Phone us on 02 9955 7288 or email alex@cafinancialservices.com.au.



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