



FIRST HOME SAVER ACCOUNTS

FACT SHEET - *ACCOUNT PROVIDERS*

Account providers

- Trustees holding a Registrable Superannuation Entity Licence to operate public-offer superannuation funds (public-offer licensees), life insurers, friendly societies, banks, building societies and credit unions will be able to offer First Home Saver Accounts (FHSAs).
 - Banks, building societies and credit unions will be able to offer deposit accounts. Only public-offer licensees, life insurers and friendly societies will be able to offer investment-linked accounts.
 - Public-offer licensees who offer FHSAs will need to do so through a separate trust, subject to being authorised by APRA.
- Self-managed, non-public-offer and public sector superannuation funds, and managed investment schemes will not be able to offer accounts as they are not subject to the same level of prudential regulation.
- Generally, existing financial product providers will not need to seek a variation of their Australian Financial Services Licence (AFSL).
 - Public-offer licensees who currently offer superannuation products will be able to provide FHSAs without a variation to their AFSL. New public-offer licensees will need to obtain an AFSL from the Australian Securities and Investment Commission (ASIC) to offer FHSAs.
- ASIC has indicated that it will regard deposit accounts offered by banks, building societies and credit unions as tier 2 products for the purposes of training requirements. Account providers will need to ensure that staff undertake tier 2 training plus some FHSA-specific training. All other (market-linked) FHSA accounts will be regarded as tier 1 products.

Eligibility criteria

- 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 Australia in which to live;
 - do not have or have not previously had a First Home Saver Account; and
 - provide their tax file number (TFN) to the provider.

- The upfront contribution of \$1,000 to open the account has been removed. Account providers will be free to set their own limit for accounts.
- The requirement to be a resident for taxation purposes to open an account has been removed. This will allow Australians living overseas to open an account. However, an account holder will only be eligible for the Government contribution if they are an Australian resident for taxation purposes.
- Individuals will need to declare that they meet the eligibility criteria. Account providers will not be required to confirm that the criteria have been met. However, they will need to ensure a valid declaration has been completed and a TFN has been provided. The ATO will conduct ex-post compliance activity to assess whether the eligibility criteria have been met.
- Account providers will be required to provide the ATO with information on the opening of accounts. This information will be able to be provided periodically, rather than 30 days after an account is opened.
- A 14 day cooling-off period will apply to FHSAs to provide individuals with an opportunity to reconsider their decision to open an account.
- Individuals will be able to change FHSA providers. Account providers will need to transfer an account balance to another provider within 30 days of a request from the account holder.
- Where an individual ceases to be eligible for an account, they will need to inform the account provider within 30 days, transfer the balance into superannuation and close the account.
- Penalties will apply to individuals where they were not eligible to open an account or ceased to be eligible and failed to notify the provider within 30 days. In addition, penalties will apply to account providers if they open an account for an individual who has not confirmed their eligibility or has not quoted their TFN.

Contributions

- Account providers will be free to set contribution limits on their products.
- There will be an overall account balance cap of \$75,000 (indexed).
 - This will replace the \$10,000 annual cap on contributions.
 - The Government contribution will be payable annually on up to the first \$5,000 (indexed) of individual contributions and averaging of contributions over multiple years will not be permitted.
 - If an individual reaches the account balance cap, no further individual contributions will be able to be made. Earnings and outstanding Government contributions will still be able to be credited to the account.
 - An account holder can continue to make contributions to an FHSA if they move overseas (but will not be eligible for Government contributions).
- Providers will be able to return contributions which would breach the cap to the account holder rather than the contributor.
- Contributions will be made from after-tax income. Salary sacrifice contributions will not be permitted.

Government contribution

- The Government will make additional contributions of 17 per cent of the first \$5,000 (indexed) of individual contributions annually, which will be paid directly into the account. Account holders must be an Australian resident for tax purposes to be eligible for Government contributions.
- Government contributions will be paid into accounts once the ATO has received information about individual contributions from the account provider and the individual's tax return.
- Government contributions made into FHSAs will not be taxed.

Taxation

- Earnings accrued in an account will be taxed at 15 per cent in the hands of the account provider. The arrangements for taxing account providers will vary depending on the type of provider.
 - Public-offer licensees will be taxed on their FHSA business in the same way that they are taxed in relation to superannuation earnings, with tax at a statutory rate of 15 per cent, but taking into account deductions, tax offsets such as refundable imputation credits and the capital gains tax discount.
 - Life insurers and friendly societies will also be taxed in the same way that they are taxed on their superannuation business. This will entail including their FHSA business together with their superannuation business, and segregating this from their ordinary business. They will not be required to segregate their FHSA business from their superannuation business. Deductions, tax offsets such as refundable imputation credits and the capital gains tax discount will be taken into account.
 - FHSAs offered by banks, building societies and credit unions will be taxed in the same way as retirement savings accounts. They will need to calculate the income earned by FHSAs separately for tax purposes and will be taxed at 15 per cent on this income at the entity level. They will not need to segregate their FHSA business from their general banking business and will not be entitled to tax offsets (in calculating tax on their FHSA income) or the capital gains tax discount.

Withdrawals

- Withdrawals will be permitted for the purposes of purchasing or building a first home in Australia in which to live. The entire amount in an account will need to be withdrawn and the FHSA closed.
 - Generally, amounts will only be allowed to be withdrawn where minimum contributions of \$1,000 have been made in each of at least four financial years.
 - Account holders who reach the account balance cap before they have satisfied the four-year requirement will be able to withdraw their funds to purchase or build a first home in which to live after having the account open in four financial years.
 - The account holder will be required to live in the home for a continuous period of 6 months commencing within 12 months of purchasing the home or when construction of the home is complete.

- The account holder will need to apply to their provider to withdraw their funds and declare that the funds will be used for the purpose of purchasing or building a first home to live in.
 - Account providers will not be required to confirm this. The ATO will conduct compliance activity to assess whether the withdrawal and occupancy requirements have been met.
 - Penalties will apply to individuals where they fail to meet the withdrawal or occupancy criteria.
- Account holders will be able to contribute the full amount in the account to superannuation at any time.
 - Amounts contributed to superannuation from an FHSA will be assessed against the superannuation non-concessional contributions cap.
 - Individuals will not be eligible to receive the superannuation co-contribution on amounts contributed to superannuation from FSAs.
 - Amounts contributed to superannuation will be preserved until a condition of release has been met. These conditions of release include retirement, financial hardship, compassionate grounds or terminal illness.
- In the case of the death of an account holder, the account will form part of the deceased's estate (rather than requiring the balance to be contributed into superannuation).
- Once the account holder has reached age 60 they will be able to withdraw their account balance tax free for any purpose. They will not need to contribute the funds to superannuation to receive them tax free.
 - Once the account holder reaches age 65, the account provider will be required to either pay the funds to the account holder or transfer them to superannuation within 30 days.
- In the event of the bankruptcy of an individual with an FHSA, the balance will be available to creditors.
- In the event of relationship breakdown, the account will form part of assets that may be split under a settlement. However, funds may only be paid to an FHSA or to superannuation (unless the recipient spouse is 60 years or over, in which case they may receive the payment directly).