



First Home Saver Account (FHSA). [15.10.08]

The Australian Government has introduced a simple, tax effective way to help first home buyers kick start their savings for the purchase or construction of their first home, from the 1st October 2008.

Unlike an ordinary savings account or investment, the funds in this type of account can only be owner occupied and only after the funds have been saved for at least four (4) financial years (the four year rule).

The basic concept with this scheme is that after the end of a financial year the Australian government will contribute an amount calculated on the personal contributions made into the account, during that financial year. This government contribution is in addition to the first home buyers grant.

The money must be deposited into a special purpose First Home Saver Account which is similar to a term deposit, as the money must be saved for the minimum period of four (4) financial years.

How it works

The government will contribute 17% of the total contributions for a financial year. There is a maximum amount payable of \$850.00 per financial year. This equates to an accumulated deposit of \$5,000.00 in any one financial year. Any contributions greater than \$5,000.00 will be allowed but no further government contribution above the \$850.00 will be made.

Any earnings (interest) from the funds invested will be taxed at a concessional rate of 15% (in the same way earnings from superannuation funds are). This income is not reported in the saver tax return so no marginal income tax is paid on the earnings from this account. When the funds are withdrawn to purchase or build the savers first home they will be tax free.

Contributions to the account can be made on behalf of the saver from third parties such as family and friends. However, employer contributions via salary sacrifice are not permitted. Any contributions made by an employer must be from “after tax money”.

It is important to note that if the saver changes his or her mind and does not buy or build a new home, the funds in the first home saver account must be transferred to a superannuation account in the name of the saver.

To be eligible to withdraw funds from a first home saver account, a minimum of \$1,000.00 per financial year must have been deposited into the account for a minimum of four (4) years (consecutive or otherwise).

Further information on First Home Saver Accounts can be obtained from the following websites:

Australian Government
www.australia.gov.au

Australian Tax Office
www.ato.gov.au

Source: La Trobe Financial)
