



NEW FIRST HOME SAVER ACCOUNTS

According to a Joint Press Release issued on 4 February 2008 by the Treasurer and Minister for Housing, from 1 July 2008, the First Home Saver Accounts will ensure a couple, each earning average incomes and saving for their first home, and putting aside 10% of their incomes, will be able to save a deposit of more than \$85,000 after 5 years.

Improvements to the original announcements include:

- Boosting assistance for low income earners through the provision of a minimum 15% Government contribution on after tax contributions of up to \$5,000;
- Delivering a streamlined up-front Government contribution directly into accounts rather than through a more complex system of salary sacrificing;
- Simplification of the contribution arrangements – there will be a single annual post-tax contributions cap of \$10,000 (indexed);
- Improved accessibility – banks, building societies, credit unions and life insurers will be able to offer the accounts; and
- Aspiring eligible first home buyers will benefit from the enhanced First Home Saver Accounts, regardless of their marginal income tax rate.

The contribution levels and benefits are detailed in the table below.

Income (marginal tax rate)	Co-contribution %	Benefit based on full \$5,000 contribution
\$0-\$6,000 (0%)	15% (*min)	\$750 (= \$5,000 x 0.15)
\$6,001-\$34,000 (15%)	15% (*min)	\$750 (= \$5,000 x 0.15)
\$34,001-\$80,000 (30%)	15% (30% - 15%)	\$750 (= \$5,000 x 0.15)
\$80,001-\$180,000 (40%)	25% (40% - 15%)	\$1,250 (= \$5,000 x 0.25)
\$180,000 + (45%)	30% (45% - 15%)	\$1,500 (= \$5,000 x 0.30)

To open a First Home Saver Account, an applicant must:

- Be aged 18 and over and be under the age of 65;
- Be an Australian resident for tax purposes;
- Never have previously purchased or built a first home in Australia to live in; and
- Make an initial contribution into the account of at least \$1,000.

Contributions made into First Home Saver Accounts will not be taxed. Earnings on the accounts will be taxed at the statutory rate of 15% rather than an individual's marginal income tax rate. Withdrawals to purchase a first home will not be taxed. There may be tax implications for withdrawals for other reasons or upon transfer into superannuation.

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