PRO-FORMA PUBLIC RELEASE OF COSTING

Australian Government
Department of Finance
The Treasury

PUBLIC RELEASE OF 2022 ELECTION COMMITMENT COSTING

Name of proposal costed: Super Home Buyer Scheme and Downsizer	
Costing Identifier:	COA 034
Summary of costing:	The proposal will: • allow first home buyers to release a portion of their superannuation as a contribution towards a deposit for a home. When the home is sold, the original contribution and some associated returns are required to be recontributed to superannuation; and • reduce the eligibility age for downsizer contributions into superannuation from 60 to 55 years of age.
Ongoing or Terminating (including date)[(a)]	Ongoing.
Person making the request:	Prime Minister.
Date costing request received:	16 May 2022.
Date of public release of policy:	15 May 2022.
Date costing completed:	19 May 2022.
Additional information requested (including date):	Not applicable.
Additional information received (including date):	Not applicable.

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

Financial implications (outturn prices)[b]

Impact on	2021-22	2022-23	2023-24	2024-25	2025-26
Underlying Cash Balance (UCB) ($m)	0.0	-54.0	-106.0	-71.0	-92.0
Fiscal Balance ($m)	0.0	-54.0	-106.0	-71.0	-92.0

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the UCB indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Where relevant, state that the proposal has been costed as a defined or specified amount.

Not applicable.

Where relevant, include separate identification of revenue and expense components.

Impact on	2021-22	2022-23	2023-24	2024-25	2025-26
Receipts ($m)	0.0	0.0	-13.0	-46.0	-72.0
Departmental funding for the ATO ($m)	0.0	-54.0	-93.0	-25.0	-20.0
Underlying Cash Balance (UCB) ($m)	0.0	-54.0	-106.0	-71.0	-92.0

Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable.

Qualifications to the costing (including reasons for the costing not being comprehensive).

For both proposals there is a high degree of uncertainty around the assumptions related to the proportion of the eligible population that will take-up the scheme. For these reasons the reliability of the costing is assessed to be low.

Treasury typically does not include second round effects when undertaking revenue costings. Consistent with this, in preparing this costing, any potential effects on the housing market from the Super Home Buyer Scheme policy were not considered.

Where relevant, explain effects of departmental expenses.

The ATO would absorb the departmental costs associated with reducing the eligibility age for downsizer contributions from 60 to 55 years of age.

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

Not applicable.

Other comments *(including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).*

Where relevant, include an explanation of the medium-term implications of the proposal.[c]

Both proposals assume that the number of participants will be consistent beyond the forward estimates.

(c) Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period. The medium term is considered to be the 7 years after the current forward estimates

Background information

1. **Super Home Buyer Scheme**

Methodology and key assumptions:

- The revenue impacts of this proposal reflect superannuation funds being diverted from a typical superannuation portfolio into a private home in response to the scheme and thus no longer being liable for superannuation earnings tax until the funds are returned (with any associated gain or loss) upon the sale of the home. The tax implications of returned funds have not been included in the costing as they are unlikely to be material over the forward estimates.
- The amount of superannuation diverted in response to the scheme is calculated as the product of the estimated number of participants and the estimated withdrawal based on the ABS Survey of Income and Housing.
- Treasury uses ABS data for new home loans to infer the number of first home buyer purchases. First home buyer activity picked up from mid-2020, supported by government incentives, to reach a post-GFC peak. Activity has remained elevated, albeit easing as fiscal and monetary stimulus unwinds. It is assumed that the number of first home buyer purchases will remain elevated in the first two years of the scheme's operation, before returning to a long-term trend.
- The ABS average housing occupancy of 1.8 adults per home is used to derive the number of participants. Individuals with superannuation balances less than $10,000 are excluded, and 80 per cent of the eligible population with sufficient superannuation balances are assumed to take up the scheme.

Policy parameters:

- The policy will commence on 1 July 2023.
- Eligible individuals will be able to invest up to 40 per cent of their superannuation balance, up to $50,000 for purchasing a first home.

- The money withdrawn is to be returned to the individual's superannuation fund at the time of the home's sale, plus a proportional share of the capital gains or losses on the home.
- There are no income or property caps under the scheme.

2. **Downsizer Contribution**

Methodology and key assumptions:

- It is assumed that there will only be revenue implications if individuals within the new age range (55-59) make non-concessional contributions in excess of those currently allowed.
- Increased superannuation contributions are assumed to be the amount by which an average downsizer contribution would cause the individual to exceed the transfer balance cap or to exceed the non-concessional contribution cap.
- These additional non-concessional contributions would decrease personal income tax receipts on earnings outside of superannuation. This is partially offset by an increase in tax receipts on earnings inside superannuation.
- It is assumed that the take-up by the benefit population will be consistent with recent take-up of the downsizer contribution by over 65 tax filers.

Policy parameters:

- The policy will apply from 1 July 2022.