PRO-FORMA REQUEST FOR COSTING AN ELECTION COMMITMENT[1]

Name of policy	Super Home Buyer Scheme and Downsizer Contributions
Person requesting costing (Prime Minister/Leader of the Opposition/Leader of a minority party):	Prime Minister
Date of public release of policy:	15 May 2022.
Link to the publicly released policy:	https://www.liberal.org.au/latest-news/2022/05/15/harnessing-super-realise-australian-dream-home-ownership https://www.liberal.org.au/latest-news/2022/05/15/housing-supply-boost-greater-financial-choice-empty-nesters-and-pensioners
Date of request to cost the policy:	16 May 2022.
Summary of policy (please attach copies of relevant policy documents):	The Coalition will establish the Super Home Buyer Scheme to enable first home buyers to release a portion of their superannuation as a contribution towards a deposit for a home. Please see detail attached. The Coalition will also reduce the eligibility age for downsizer contributions into superannuation from 60 to 55 years of age. The downsizer contribution allows people to make a one-off, post-tax contribution to their superannuation of up to $300,000 per person from the proceeds of selling their home. Both members of a couple can

[1] An electronic version of this pro-forma can be found at www.electioncostings.gov.au/templates.

	contribute in respect of the same home, and contributions do not count towards non-concessional contributions caps.
Intention of policy:	The Coalition is committed to ensuring Australians get into their first home earlier. The Coalition is committed to incentivising downsizing to free up supply of larger family homes.
Certification that this, or a substantially similar costing request, has not been submitted to the Parliamentary Budget Office:	This or a substantially similar costing request has not been submitted to the Parliamentary Budget Office.
Description of policy *(note: where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)* **What are the key assumptions that have been made in the policy including:**	
Is the policy part of a package? *If yes, list and outline components and interactions with proposed or existing policies.*	No.
Where relevant, is funding for the policy to be demand driven or a capped amount?	Demand driven program with capped funding for departmental expenses.
Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? *If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?*	Not applicable.
Are there associated savings, offsets or expenses? *If yes, please provide details.*	Not applicable.

Description of policy *(note: where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)* **What are the key assumptions that have been made in the policy including:** ***(continued)***	
Does the policy relate to a previous budget measure? *If yes, which measure?*	Yes, reducing the eligibility age for downsizer contributions relates to the 2021-22 Budget measure *Flexible Super - reducing the eligibility age for downsizer contributions.*
If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? Will funding/cost require indexation? *If yes, list factors used.*	No.
What are the estimated costs each year? Are these provided on a cash or fiscal basis?	2022-23 $100.0 million 2023-24 $68.2 million 2024-25 $72.5 million 2025-26 $80.3 million Cash basis.
Are the revenue and/or expense costs likely to be significantly different beyond the forward estimates period? If yes, why?	No.
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?	<u>Please see detail attached.</u>
Has the policy been costed by a third party? *If yes, can you provide a copy of this costing and its assumptions?*	No.
What is the expected community impact of the policy? How many people or businesses will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?	The Coalition is committed to ensuring Australians get into their first home earlier. The Coalition is committed to incentivising downsizing to free up supply of larger family homes.

Note: it will be up to the professional judgment of the relevant Secretary as to whether these assumptions are adopted in a Treasury or Finance costing of the policy.	
Administration of policy	
Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc.)?	Australian Taxation Office (ATO).
Should departmental expenses associated with this policy be included in this costing? *If no, will the Australian Government Entity be expected to absorb expenses associated with this policy?* *If yes, please specify the key assumptions, including whether departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies).*	Yes. The ATO's departmental and capital costs have been included in the estimated costs. Any additional departmental and capital costs above this estimate are to be absorbed by the ATO. The Department of Treasury is to absorb all departmental expenses related to policy development.
Intended date of implementation.	The Super Home Buyer Scheme will be operational no later than 1 July 2023. The reduction of the eligibility age for downsizer contributions into superannuation from 60 to 55 years of age will be from 1 July 2022.
Are there transitional arrangements associated with policy implementation?	No.
Will the policy be ongoing or terminating*?	Ongoing.
If terminating: What is the intended date of termination? Are there any transitional arrangements associated with the conclusion of the policy?	
List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0).	Not applicable.
Are there any other assumptions that need to be considered?	Not applicable.

* 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.

SUPER HOME BUYER SCHEME - ADDITIONAL DETAIL

- Commencing as soon as possible, but no later than 1 July 2023, First Home Buyers (FHBs) will be able to invest a portion of their super savings to buy their first home. Up to 40 per cent or $50,000 of their superannuation (whichever is less) will be able to be invested into their first home.
- There are no income or property caps under the scheme. The only eligibility restrictions are that the individual is a FHB and they have separately saved at least 5% of the deposit.
- At the time of disposing their first home, any proportional gain or loss on the investment together with the portion of their superannuation invested in the purchase of the home would be repaid back into superannuation.
- The scheme will require legislation to be established and will complement and be able to be used in conjunction with the Home Guarantee Scheme (HGS) and the First Home Super Saver Scheme (FHSSS) by providing aspiring homeowners with another pathway into home ownership.
- The scheme will be administered by the ATO, which will accept applications, confirm eligibility, approve the release of funds, track amounts released, and manage the process for recontributions on disposal.

KEY ELIGIBILITY REQUIREMENTS

- Must be a FHB.
- Up to 40 per cent or $50,000 of their superannuation (whichever is less) can be invested.
- A minimum of 5% of savings outside of super for a deposit per single or joint applicant (to demonstrate serviceability to lenders) and meet existing loan serviceability requirements by lenders.
- Be for an owner-occupier property for at least 12 months.
- For couples, the eligibility of each applicant will be individually assessed. Any member of a couple who is a FHB can access the scheme, even if their partner is not a FHB.
- There are no income or property price caps, and no age thresholds.

ADMINISTRATION

Part 1: Accessing the funds

- Individuals must apply to the ATO in order to access the scheme.
- The ATO would verify their eligibility and notify their super fund/s of the member's request to withdraw funds from their superannuation under this scheme.
- Superannuation funds (both APRA funds and SMSFs) would be required to act on a valid request received from the ATO, with the funds transferred to the individual's nominated bank account.
- For the purposes of the property title, each individual accessing the scheme must appear on the title of the property they purchase.
- The super fund from which the funds were withdrawn will not appear on the property title to simplify administration and not impact on the operation of the super system.

Part 2: Ownership period

- There are no ongoing repayments required to the superannuation fund until the property is disposed.
- At any time, a participant can choose to repay the full share of their super investment in the home.
- The Government will consult on a possible approach to allow partial repayments.
- Refinancing of the original mortgage will not trigger a requirement to repay.

Part 3: Disposal of the property

- Upon disposal, the ATO would be notified of the property settlement by the applicant and then calculate the repayment amount required based on the disposal price relative to the purchase price.
- The ATO would issue a specific 'notice of assessment' to the applicant requiring recontribution and specifying the amount to be repaid.
- The amount to be repaid to the applicant's nominated super fund equates to the original amount invested from their superannuation together with a proportionate share of any capital gain or loss from the sale of the property.

Part 4: Tax treatment of funds returned to their super fund

- Any capital gain associated with the first home investment will be exempt from tax on repayment to their superannuation fund. This will ensure that the capital gains tax main residence exemption for the principal place of residence continues to apply irrespective of the source of funds used to purchase a first home.
- The repayment into superannuation will also not be counted towards annual superannuation contribution caps, as the amount returned to the fund will be treated as an investment return, not a contribution.
- If the required sale proceeds are not returned to superannuation, a penalty tax levied at the top marginal tax rate plus Medicare levy will apply. This is the same penalty that applies for illegal early release of superannuation today. The ATO Commissioner will be provided with a discretion to deal with any hardship cases.
- If at the time of disposal the property is no longer the applicant's main residence, capital gains tax will apply in the usual way and be assessed by the ATO on lodgement of their tax return. In such a scenario, the amount to be repaid to super is the same as if no capital gains tax had been paid on the gains from disposal.