

What happens if you do not use the FHSS payment for housing purposes?

If the super member either does not apply the released amount to the purchase of their first home, or only applies a portion of the amount within the relevant period (12 months or if extended by the ATO 24 months) one of two things will happen.

If the super member makes a non-concessional contribution equal to the unapplied release amount within the relevant period and notifies the ATO that they have done so, then no further tax consequences will arise.

If the member does nothing (or makes the non-concessional contribution after the end of the relevant period or fails to notify the ATO of the making of the contribution), the super member will be subject to First Home Saver tax at a rate of 20% on the assessable portion of the FHSS release amount or unapplied portion of the FHSS release amount. That is, the super member will be liable for 20% tax on the associated earnings and the concessional contributions component of the FHSS release amount or unapplied portion of the release amount). The intention of First Home Saver tax is to ensure that no tax benefit arises from failing to apply the released amount in the purchase of a first home.

For more information on any aspect covered in this article, please call SUPERCentral on 02 8296 6266 or email info@supercentral.com.au.