

Downsizer contributions – another reform

October 2022

Eligibility age for the beneficiary of the contribution to be reduced from age 60 to age 55

When Downsizer Contributions were first introduced (1 July 2018) the eligibility age for the beneficiary (that is the person for whom the contribution was made) of a Downsizer Contribution was age 65. The eligibility age requirement does not apply to the maker of the contribution. Consequently, an individual who is aged 60 could have made a Downsizer Contribution for a spouse who is aged 66. However, that individual could not make a Downsizer Contribution for him or herself.

From 1 July 2022, the eligibility age for the beneficiary of the Downsizer Contribution was reduced from age 65 to 60. Now the Government has proposed that the eligibility age for the beneficiary of the Downsizer Contribution be further reduced from the current age 60 to age 55.

Downsizer Contributions are superannuation contributions (capped at \$300,000) which are sourced from the sale proceeds of a current or former principal residence of the individual making the contribution. Downsizer contributions are not subject to the non-concessional contribution caps and can be made even if the total superannuation balance of the beneficiary of the contribution exceeds \$1.7m.

The proposal does not change the other conditions applying to Downsizer Contributions which must be satisfied. In board terms those other conditions are:

The downsizer contribution must be sourced from the sale proceeds of an Australian located property which qualified (at any time) as a principal residence for CGT purposes of the individual making the contribution. Generally, the contribution must be made within 90 days of the receipt of the sale proceeds.

The individual for whom the contribution is made must be aged 60 or more (this is proposed to change to age 55 or more) and can be made even if the individual is aged 75 or more).

The individual making the downsizer contribution need not be age 60 or more (or aged 55 or more when the proposal is implemented).

Downsizer contributions can be made for individuals who have a total superannuation balance greater than \$1.7m.

While downsizer contributions can be for individuals who have a total superannuation balance greater than \$1.7m, the contribution is still subject to the transfer balance cap.

The legislation to implement this change has been drafted and introduced into Parliament as part of the *Treasury Laws Amendment (2022 Measures No 2) Bill 2022*. Schedule 5 of the Bill will amend s292-102(1)(a) by substituting "55" for "60".

The change will apply from the commencement of the Schedule – which will be the first 1 January, 1 April, 1 July or 1 October which occurs after the Bill receives Royal Assent. Therefore, it seems most likely that the change will apply from 1 October 2022 or 1 January 2023.

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