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Downsizer Contribution

In 2018 the government introduced the 'Downsizer Contribution' which enables home owners aged 65 and above to contribute $300,000 to superannuation following the sale of their home. The purpose of this was to increase specific housing supply whilst providing those who meet the eligibility requirements the potential to increase their retirement savings within the superannuation environment.

The sale of a qualifying home provides the opportunity to move capital into superannuation – a concessionally taxed environment. Over recent years, billions of dollars have been channelled into retirement savings vehicles using this popular measure.

As of July 1, 2022, the minimum age threshold was decreased from age 65 to 60. The government has also proposed that the eligibility age be further reduced from the current age 60 to age 55 (although it is important to note that this is not yet law).

Whilst the age criteria to age 60 may have changed, the remaining eligibility requirements and conditions remain unchanged:

- Individuals can only make downsizing contributions for the sale of one home.
- The contribution must be made within 90 days after settlement. A key part to point out regarding the minimum age, is that the rules look at meeting the age 60 requirement at the date of contribution, not the date of settlement.
- Amount cannot be claimed as a tax deduction
- The contribution amount is the lesser of
  - $300,000 per person, or
  - The value of the proceeds from the sale of the property.
- While downsizer contributions can be for individuals who have a total superannuation balance greater than $1.7 million, the contribution is still subject to the transfer balance cap.
- If only one member of a couple was listed on the title, both can still make a downsizer contribution as long as they meet the remaining eligibility criteria.
- The property was held for at least 10 years by the individual, or spouse, or former spouse.
- The property being sold needs to be considered a main residence for all or part of the ownership period and must be eligible for either a part or full main residence capital gains tax (CGT) exemption.
- The dwelling is located in Australia and is not a caravan, houseboat or other mobile home.
- An approved form electing the contribution as a downsizer must be lodged with the superannuation provider.

Interestingly the downsizer contribution is linked to the sale of the property, not the purchase of a new property. This could mean a more expensive home may be purchased, or you could not buy a home at all. In addition, the funding of the contribution does not need to come from the proceeds of the sale of the home.

With the age eligibility change that occurred on 1 July 2022, there is now further opportunity to increase retirement savings in superannuation through the sale of a main residence. As always with superannuation contributions there may be more to consider in regards to personal circumstances (e.g. impact on the age pension) so please reach out to your adviser if you'd like to discuss this further.

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