The Government is reducing barriers for older Australians to downsize from homes that no longer meet their needs by allowing them to contribute some of the proceeds of selling their homes into superannuation.

From 1 July 2018, people aged 65 and over will be able to make a non‑concessional (post‑tax) contribution into their superannuation of up to $300,000 from the proceeds of selling their home. Existing contribution caps and restrictions will not apply to this downsizer contribution at the time, but the $1.6 million transfer balance cap and Age Pension means test will continue to apply and it will count towards total superannuation balance tests in later years. The measure will apply to homes held for a minimum of ten years, and both members of a couple may take advantage of it.

The Government has released consultation draft legislation to implement this measure.

# What kind of homes would this apply to?

The consultation draft provides that the sale of any dwelling in Australia – other than a caravan, houseboat or mobile home – could qualify you for a downsizer contribution, provided it has been owned for ten years.

# How would the ten-year rule work?

The consultation draft provides that you or your spouse must have held the property at all times for the ten years leading up to the sale.

# Must the home be my main residence?

Yes, but only for some portion of your ownership period. The consultation draft provides that if you receive a partial or full main residence exemption for CGT purposes then you qualify. For example, if you had moved out of your home for several years prior to selling it, you would still be eligible.

# Would I actually have to ‘downsize’?

No. The consultation draft provides that you would be able to make a downsizer contribution after selling your home; you would not be required to make any subsequent purchase. You can move into any living situation suitable for you, including into retirement communities, aged care, smaller properties, homes not close to schools or away from major employment centres, or into your adult children’s homes.

# When could I make a contribution?

The consultation draft provides that the downsizer contribution must be made within 90 days after your home changes ownership (generally, the date of settlement). You may be able to seek an extension of this time from the ATO.

# Could I sell now and contribute after 1 July 2018?

No. The consultation draft provides that this measure would only apply to home sales where the contract of sale is entered into on or after 1 July 2018.

# Must my spouse have been on the title to make a contribution?

No. The consultation draft provides that either you or your spouse must have owned the home for the past ten years up to the point of sale. That would mean that if your spouse was not on the title but you were, both you and your spouse could make downsizer contributions.

# Could I claim a deduction for the contribution?

No. A deduction would make the downsizer contribution concessional, but the downsizing measure allows only non‑concessional contributions.

# How much could I contribute?

The maximum downsizer contribution would generally be $300,000 per contributor (so, $600,000 for a couple). However, the downsizer contribution must come from the proceeds of the sale. Therefore, the consultation draft provides that no more than the capital proceeds of the sale (the sale price) would be able to be contributed. So, if a couple sold their home for $500,000, their combined downsizer contributions would be limited to $500,000 (in any combination, but no more than $300,000 for either of them). If an individual sold a home for $250,000, her or his downsizer contribution would be limited to $250,000.

# Could I contribute more than once?

You would be able to make multiple downsizer contributions within the 90 days, provided you did not exceed the cap and met all other criteria. However, you would not be able to make a subsequent downsizer contribution, even if you sold another qualifying house.

# Must my fund accept my contribution?

Like any other superannuation contribution, whether the fund will accept the downsizer contribution is a matter for the fund’s trustees according to fund’s rules. You should check with your fund, and consider opening a separate account if your fund will not accept downsizer contributions.

# What if I don’t have a super account?

There is no general restriction preventing you from opening a superannuation account to make a downsizer contribution.

# What would happen if it turned out I was ineligible to contribute?

The consultation draft provides that if the ATO discovers that a downsizer contribution was ineligible, it will notify the fund. In some cases, the contribution will have been allowed anyway; for example, where the contributor was over 65 but met the work test. In that case, the contribution would remain in the superannuation account and would count towards the member’s usual contribution caps. Excess contributions would then be treated in the usual way. If the contribution could not have been made but for the downsizer measure, and it was not an eligible downsizer contribution, then it would be returned to the contributor in accordance with the existing law.

# Share your views

The consultation draft legislation is intended to implement the downsizing measure as described above. It is not yet law. The Government intends to introduce legislation into Parliament to make it law after considering the results of this consultation process.

Treasury is seeking views from all stakeholders on the draft legislation. Would the draft legislation, if enacted in this form, accurately implement the design features of the downsizing measure? Could it result in any unintended consequences?

Please share your views on the draft legislation through the ‘Consultations and Submissions’ page at [www.treasury.gov.au](http://www.treasury.gov.au).