

What is a downsizer contribution?

If you are 65 years old or older and meet the eligibility requirements, you may be able to make a downsizer contribution into your superannuation of up to \$300,000 from the proceeds of selling your home¹. This provides eligible older Australians an opportunity to contribute the sale proceeds of a former home into the tax effective environment of super where earnings are taxed at a rate of up to 15%.

A downsizer contribution is not a non-concessional contribution and will not count towards any of your contribution caps. A downsizer contribution can still be made even if you have more than \$1.6 million inside the superannuation system. When making the downsizer contribution you are also not required to satisfy the work test.

General eligibility

To be eligible to make a downsizer contribution all of the following must be satisfied:

- you are aged 65 or over at the time the contribution is made (note there is no upper age limit)
- the contribution is from the proceeds of the sale of a single eligible property in Australia where the contract of sale was exchanged on or after 1 July 2018
- the property was owned by you or your spouse for 10 years or more prior to the sale – the ownership period is generally calculated from the date of settlement of purchase to the date of settlement of sale. For couples, only one member needs to satisfy the 10 year ownership requirements to allow both to make a downsizer contribution
- the home is in Australia and is not a caravan, houseboat or other mobile home
- the proceeds (capital gain or loss) from the sale of the home are either fully exempt or partially exempt from capital gains tax (CGT) under the main residence exemption, or would be entitled to such an exemption if the home was purchased prior to 20 September 1985
- the contribution is made within 90 days of settlement. An application can be made to the ATO to have this timeframe extended where a delay has been caused by factors outside of your control
- when making the contribution you must provide your superannuation fund with the ATO's [Downsizer contribution into super form](#)
- you have not previously made a downsizer contribution to your super from the sale of another home, and
- you do not claim a tax deduction for this contribution.

Despite the namesake, you are not required to actually downsize to a smaller or cheaper home. In fact, there's no legal requirement for you to purchase another residence after making this type of contribution.

Maximum downsizer contributions amount

The maximum downsizer contribution that an individual can make is the lesser of:

- \$300,000 or
- proceeds received on the sale of one eligible property.

Where members of a couple wish to make downsizer contributions in respect of the same property, the total downsizer contributions made must not exceed the lesser of \$600,000 or the total sale proceeds.

Members of a couple - 10 year ownership period

For couples, only one member needs to satisfy the 10 year ownership requirements to allow both to make downsizer contribution. This may arise when the property is only held in one person's name, as long as the spouse that's not the owner satisfies all the other criteria, a downsizer contribution can be made. The 10 year ownership period test also has provisions to allow for changes in ownership between spouses to account for circumstances such as the death of a spouse and relationship breakdown. If your spouse who held an ownership interest dies, you can count the period of ownership of your deceased spouse, including the period the dwelling is held by the trustee of the deceased estate, towards the 10-year ownership test. This may also arise in the event of relationship breakdown.

Other important things

Your downsizer contribution will not affect your total superannuation balance until it is re-calculated to include all your contributions, including your downsizer contribution, on 30 June at the end of the financial year.

If you or your spouse is in receipt of a Centrelink means tested pension or allowance, it is important to note that the downsizer contribution is an assessable asset for Centrelink purposes and the contributed amount is subject to deeming under the income test, this is regardless whether you retain it in the accumulation phase or use the contribution to commence an account based pension. This may potentially receive your Centrelink entitlements.

ⁱ Income Tax Assessment Act 1997 – Section 292-102

Our services



Health

- Health insurance
- Overseas visitors cover
- Dental services
- Chronic disease management
- Hospital in the home



Wealth

- Investments
- Estate planning
- Trust and estate administration services
- Financial planning
- Investment, education and funeral bonds
- Banking and home loans
- General insurance



Living

- Aged care and accommodation
- Personal and business insurance
- Aboriginal home care
- Disability services
- Retirement communities



1300 700 189



australianunity.com.au/wealth

This information has been produced by Australian Unity Personal Financial Services Ltd (AUPFS) ABN 26 098 725 145, AFSL & Australian Credit Licence 234459. Any advice in this document is general advice only and does not take into account the objectives, financial situation or needs of any particular person. It does not represent legal, tax, or personal advice and should not be relied on as such. Case studies are included for illustrative purposes only, are based upon hypothetical scenarios, and no inference as to the suitability of a particular strategy to any particular person or entity should be made. You should obtain financial advice relevant to your circumstances before making investment decisions. AUPFS is a registered tax (financial) adviser and any reference to tax advice contained in this document is incidental to the general financial advice it may contain. You should seek specialist advice from a tax professional to confirm the impact of this advice on your overall tax position. Nothing in this document represents an offer or solicitation in relation to securities or investments in any jurisdiction. Where a particular financial product is mentioned, you should consider the Product Disclosure Statement before making any decisions in relation to the product and we make no guarantees regarding future performance or in relation to any particular outcome. Whilst every care has been taken in the preparation of this information, it may not remain current after the date of publication and AUPFS and its related bodies corporate make no representation as to its accuracy or completeness. Published: July 2019 © Copyright 2019