



INVESTMENT NEWSLETTER

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Downsizing your Home – Superannuation Concession

The Government has released draft legislation which would enable members over age 65 who downsize their home to contribute up to \$300,000 each to their superannuation.

Assuming the bill is passed, it will come into effect on 1 July 2018.

The provision allows a member who sells their main residence to make a non concessional superannuation contribution of up to \$300,000. Only one member of a couple needs to be on the property title for both to be eligible to make a \$300,000 contribution each or \$600,000 in total from the sale. The maximum contribution is limited by the sale value of the property. For example, if the property sells for \$500,000 then a couple would be able to make a maximum contribution of \$250,000 each.

The main residence would have to have been owned continuously for 10 years by one or both of the members and would still be eligible if it was used as the main residence for only part of the 10 year period. For example if it was used as the main residence for part of the 10 years and rented out for part it would still be eligible.

The contribution would need to be made within 90 days of settlement.

The draft legislation does not require the proceeds of the sale to be used to purchase another residence. For example, a member may sell their main residence and move into another property they own, into a rental property or into an age care facility.

The usual superannuation contributions rules do not apply.

- There is no age limit other than members must be at least age 65
- The member does not need to satisfy the work test
- The limit on making non concessional superannuation contributions for members who have balances greater than \$1.6 million does not apply.

The \$1.6 million Transfer Balance Cap still applies so contributions above \$1.6 million would have to remain in an accumulation account within the fund.

Our View.

Assuming this measure becomes law, it will enable contributions to superannuation that otherwise could not be made under the current rules due to age limits, work test and contributions caps. Even the Small Business CGT Exemption rules requires the members to meet the work test if over age 65.

It will not be a provision that will be useful for everyone. For those who have over \$1.6 million in their superannuation and are looking to downsize their home, this measure will allow addition contributions into the low tax environment of superannuation which would otherwise not have been an option.

THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED DENTAL PRACTICE BUSINESS ADVISERS, FINANCIAL ADVISERS, ACCOUNTANTS AND VALUERS

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