

Downsizer contributions

January 2023

What is a downsizer contribution?

If you're eligible, you can contribute up to \$300,000 to your super account when you sell your home.

These contributions will not count towards your non-concessional cap and you can still make the contribution even if you have a total superannuation balance of more than \$1.9 million or do not meet the work test.

To qualify...

- You must be at least 55 years old or older at the time you make a downsizer contribution;
- Your home was owned by you or your spouse for 10 years or more prior to the sale;
- Your 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 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 a CGT rather than a pre-CGT (acquired before (acquired before 20 September 1985) asset);
- You have provided your super fund with the downsizer contribution form either before or at the time of making your downsizer contribution;
- You make your downsizer contribution within 90 days of receiving the proceeds of sale, which is usually the date of settlement; and
- You have not previously made a downsizer contribution to your super from the sale of another home.

How to make a downsizer contribution

It's easy. Simply:

1. Check you're eligible to make the contribution, and
2. Contact Prime Super or visit the ATO website for application form

One or many contributions?

You can make multiple downsizer contributions from the proceeds of a single sale as long as the total of all your contributions do not exceed \$300,000 or the sale price of your home, whichever is less. You also need to make sure that all of your contributions are made within 90 days of receiving the proceeds of sale, usually the date of settlement, unless you have been granted an extension.

Examples

Example A

Sally is 68 and sells her home that she has owned for 30 years for \$800,000 on 11 August 2022 with settlement expected to occur on 11 November 2022. Sally is eligible to make a downsizer contribution and can contribute up to \$300,000 under the downsizer contribution measure as long as she makes the contribution within 90 days of receiving the sale proceeds.

Example B

Patrick and Rosie are both 70 and sell the home they have owned for 40 years for \$400,000 on 25 October 2022. They are both eligible to make a downsizer contribution into their super. The maximum downsizer contribution for Patrick and Rosie is \$300,000 each. So long as they don't exceed the individual \$300,000 maximum and make their downsizer contributions within 90 days of receiving the sale proceeds, they can allocate the sale proceeds in any combination they like.

Example C

Simon is 75 and has owned and lived in his home for the last 5 years. He sells his home on 5 September 2022 for \$500,000. Unfortunately, as Simon hasn't owned his home for more than 10 years, he is not eligible to contribute any of the money he receives from the sale to his super account.

call 1800 675 839

visit primesuper.com.au

email administration@primesuper.com.au

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Prime Super

What happens if the ATO finds your contribution is not a downsizer contribution?

If the ATO determines that your contribution does not meet the downsizer contribution eligibility requirements, they will notify Prime Super. We'll then be in touch with your options regarding the contribution.

Other Considerations

Although downsizer contributions are exempt from contributions cap rules, they do still count towards your transfer balance cap should you be looking to transfer your retirement savings into a retirement income stream. This amount is currently set at \$1.9 million.

If you sell your home and you have made a downsizer contribution, there is no requirement for you to purchase another home.

In certain circumstances, for example when there is a delay in settlement that is outside of your control, you may be able to apply to the ATO to grant an extension of time to request a period longer than 90 days to make a downsizer contribution.

There may also be tax, Centrelink and other implications associated with making a downsizer contribution. You should consider seeking financial advice prior to deciding to make a downsizer contribution.

Find out more

We're committed to helping you grow, manage and protect your wealth and retirement income. If you have any questions about downsizer contributions please see:

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