

NEW SUPERANNUATION DOWNSIZER CONTRIBUTION



With the passing of the downsizer superannuation contribution (DSC) legislation in December 2017, there is now a fourth category of superannuation contribution. The two most common are still concessional contributions and non-concessional contributions. The third category includes contributions made as a result of the small-business capital gains tax (CGT) concessions. The fourth will now be downsizer contributions.

Eligibility for making a DSC is not affected by a person's total superannuation balance or whether they are working.

It is governed only by the following seven conditions:

- i. They must be 65 or older at the time the contribution is made.
- ii. The contribution must be in respect of the proceeds of the sale of a qualifying dwelling in Australia.
- iii. A 10-year ownership condition must be met.
- iv. Any gain or loss on the disposal of the dwelling must have qualified (or would have qualified) for the main residence CGT exemption in whole or part;
- v. The contribution must be made within 90 days of the disposal of the dwelling, or such longer time as the commissioner allows.
- vi. The person must choose to treat the contribution as a downsizer contribution, and notify their superannuation provider, in the approved form, of this choice at the time the contribution is made.
- vii. The person cannot have had DSCs in relation to an earlier disposal of a main residence.

The second and third conditions could have been very restrictive. Pleasingly, the legislation relating to meeting these two conditions is reasonably broad.

Basically, for a property to be classed as a qualified dwelling in Australia, it must have been a fixed structure. Proceeds from the sale of houseboats, caravans, and other forms of mobile homes, even if they were a main residence, do not qualify for a DSC.

The 10-year ownership condition is flexible and covers situations where:

- one member of a couple may not have been shown on the title of the property sold
- a property was used for both business and principle place of residence
- a person has owned a property for less than 10 years as a result of having had a former residence compulsorily acquired.

A person will be eligible to make a DSC in the following circumstances:

- If the property was owned by one member of a couple for at least 10 years, it does not matter how long a couple were married.
- If the spouse who owned the property for longer than 10 years dies, the surviving spouse is eligible to make a DSC, even if they were married for less than 10 years.

The 10-year condition can also be satisfied by someone whose home has been compulsorily acquired and then sells the new home in less than 10 years. If the new home is purchased no later than one year after the end of the financial year in which the property was compulsorily acquired, and the total ownership of both properties exceeds 10 years, the proceeds from the replacement property will be eligible for the DSC.

The requirement for the property sold to be a person's residence that qualifies for the CGT exemption is flexible enough to include properties that have a mixed-use, such as business and a main residence.

As the baby boomers move toward their retirement they need to consider all the tools available to them and map a strategy that will give them their best outcome as like any Superannuation strategy there are rules that need to be adhered to.

Talk to your Futuro adviser about how to optimize your retirement strategy.

