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Tax Facts - First Home Saver Accounts

A first home saver account (FHSA) is a special purpose account designed to help people save for their first home. Once a year, the government will make a lump-sum contribution to the FHSA, based on the amount deposited into the account during that year.

Eligibility criteria

To open a first home saver account, you must be an individual who:

- is between 18 and 65 years old
- has a tax file number you can quote in your application
- has not have previously owned a home in Australia that has been your main residence
- has not have previously had a first home saver account.

You can open an FHSA with an ordinary financial institution but you need to meet qualifying conditions before you can access the funds – you must meet the 'four-year rule'.Once you've accessed the money, you must use it for a deposit or for other costs associated with building or buying your first home. If you don't, you may be liable for the FHSA misuse tax.

Benefits

FHSAs attract the following benefits:

- receive government contributions every year deposits are made, equal to 17% of the deposits (up to a maximum for 2013-14 of 17% x $6,000 = $1,020).
- interest is taxed at a flat rate of 15%
- the account is not included in the income and assets tests that apply to various government benefits
- interest does not have to be reported in your tax return
- no tax is payable when money is withdrawn
- you can contribute as little or as much as you like every year (but there is a limit of $95,000 for 2014-15 that you can have in the account).

Proposed changes

In the 2014-15 Budget, the Federal Government announced changes to abolish the first home saver accounts scheme. At the time of publication (October 2014), these changes had not become law.