Parliamentary Budget Office

Policy costing

Close the First Home Super Saver Scheme to new entrants	
Party:	Australian Labor Party
Summary of proposal: The proposal would close the First Home Super Saver Scheme (the Scheme). Contributions made to superannuation on or after 1 July 2019 would not be able to be withdrawn under the Scheme. Eligible superannuation contributions made prior to 1 July 2019 would be grandfathered, such that eligible individuals would still be able to withdraw those contributions and their associated deemed earnings to purchase a first home, subject to the tax on withdrawals that applies under the Scheme.	

Costing overview

The proposal would be expected to increase both the fiscal and underlying cash balances by $373.4 million over the 2019-20 Budget forward estimates period. This reflects an increase in revenue of $372 million and a decrease in departmental expenses of $1.4 million over the period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment A. The proposal would be expected to have an ongoing impact beyond the 2019-20 Budget forward estimates period.

When this Scheme was introduced in the 2017-18 Budget, the costing showed a net loss to revenue over the forward estimates. This was due to the concessional treatment of additional superannuation contributions, partially offset by the tax paid on withdrawals for the purchase of a first home over this period. Under the proposal to close the Scheme, those who have made contributions before 1 July 2019 would still be able to withdraw these when a first home is purchased. As such, the revenue impact of this proposal from 2019-20 is expected to be greater than the reversal of the original Budget measure costs, because the withdrawals for those grandfathered in the Scheme would continue to be taxed. Once these withdrawals have been exhausted, the revenue impact would align with the reverse of the original Budget measure costs.

The estimates presented in this costing are subject to uncertainty. In particular:

- individuals making voluntary superannuation contributions are not required to indicate if they intend to utilise the Scheme. As such, there is uncertainty around the number of contributions that have been made with this intention, or how many people intend to release super through the Scheme over time.
- individuals may delay the purchase of their property as a result of reduced savings towards a first home. This would delay the timing of the withdrawal tax for those individuals who remain in the grandfathered scheme, affecting the profile of the financial implications.

Table 1: Financial implications ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Fiscal balance	97.2	96.3	92.4	87.5	**373.4**
Underlying cash balance	97.2	96.3	92.4	87.5	**373.4**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Take-up rate: 20 per cent of first home buyers with taxable incomes over $37,000 would participate in the Scheme.
  - These first home buyers were identified in the 2013-14 Survey of Income and Housing produced by the Australian Bureau of Statistics.
- Withdrawal of funds contributed before 1 July 2019: those who are grandfathered in the Scheme would withdraw their contributions by 30 June 2024.
- Departmental expenses: departmental expenses associated with grandfathering the Scheme would decrease by 10 per cent per year over the period to 2029-30 as the number of remaining participants in the Scheme decreases over time.

Methodology

- The estimates were derived by reversing the cost of the measure from the 2017-18 Budget (to 2020-21), with an adjustment factoring in the change in superannuation withdrawals as a result of the grandfathering of the policy.
  - Beyond 2020-21, the 2017-18 Budget estimates were projected over the period to 2029-30.
- The modelling has taken into account the timing of tax collections.
- Revenue estimates have been rounded to the nearest $1 million.
- Departmental expenses have been rounded to the nearest $100,000.
  - Departmental expenses have been estimated based on the cost of the original 2017-18 Budget measure, accounting for the assumptions outlined above.

Data sources

The Treasury provided the *2017-18 Budget* models underlying the *First Home Super Saver Scheme* measure.

The Australian Bureau of Statistics provided the *2013-14 Survey of Income and Housing*.

Commonwealth of Australia, 2017. *2017-18 Budget,* Canberra: Commonwealth of Australia.

Attachment A – Close the First Home Super Saver Scheme to new entrants – financial implications

Table A1: Close the First Home Super Saver Scheme to new entrants – Fiscal and underlying cash balances ($m)[(a)(b)]

	2019–20	2020–21	2021–22	2022–23	**Total to 2022–23**
Revenue	*97*	*96*	*92*	*87*	***372***
Departmental expenses – ATO	*0.2*	*0.3*	*0.4*	*0.5*	***1.4***
Total	**97.2**	**96.3**	**92.4**	**87.5**	**373.4**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.