

WHAT IS a downsizer contribution?

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If you are 55 years old or older and meet the eligibility requirements, you may be able to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your home. This provides eligible older Australians an opportunity to contribute the sale proceeds of a former home into the tax effective environment of super.

How does it work?

To be eligible to make a downsizer contribution all of the following must be satisfied:

- you are aged 55 or over at the time the contribution is made (there is no upper age limit),
- the contribution is from the proceeds of the sale of a single eligible property in Australia where the contract of sale was exchanged on or after 1 July 2018,
- the property was owned by you, your spouse or de-facto for 10 years or more prior to the sale – the ownership period is generally calculated from the date of settlement of purchase to the date of settlement of sale. For couples, only one member needs to satisfy the 10-year ownership requirements to allow both to make a downsizer contribution,
- the 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 fully 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 purchased prior to 20 September 1985,
- the contribution is made within 90 days of settlement. An application can be made to the ATO to have this timeframe extended where a delay has been caused by factors outside of your control,
- when making the contribution you must provide your superannuation fund with the ATO's 'Downsizer contribution into super' form, either before or at the time the contribution is made,
- you have not previously made a downsizer contribution to your super from the sale of another home, and
- you do not claim a tax deduction for this contribution.

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Despite the name, you are not required to actually downsize to a smaller home. In fact, there's no legal requirement for you to purchase another residence before or after making this type of contribution.

Maximum downsizer contributions amount

The maximum downsizer contribution that an individual can make is the lesser of:

- $300,000 or
- proceeds received on the sale of one eligible property.

Where members of a couple wish to make downsizer contributions in respect of the same property, the total downsizer contributions made must not exceed the lesser of $600,000 or the total sale proceeds.

Members of a couple - 10-year ownership period

For couples, only one member needs to satisfy the 10-year ownership requirements to allow both to make downsizer contribution. This may arise when the property is only held in one person's name, as long as the spouse that's not the owner satisfies all the other criteria, a downsizer contribution can be made. The 10-year ownership period test also has provisions to allow for changes in ownership between spouses to account for circumstances such as the death of a spouse and relationship breakdown.

If your spouse who held an ownership interest dies, you can count the period of ownership of your deceased spouse, including the period the dwelling is held by the trustee of the deceased estate, towards the 10-year ownership test. This may also arise in the event of relationship breakdown.

Other important things

Your downsizer contribution will not affect your total superannuation balance until it is re-calculated to include all your contributions, including your downsizer contribution, on 30 June at the end of the financial year.

The amount contributed does not count towards any contribution caps.

If you or your spouse is in receipt of a Centrelink means tested pension or allowance and over age pension age, it is important to note that the downsizer contribution is an assessable asset for Centrelink purposes. The contributed amount is subject to deeming under the income test, regardless of whether you retain it in the accumulation phase or use the contribution to commence an account based pension. This may potentially affect your Centrelink entitlements.

For more information, refer to the Australian Taxation Office (ATO) at www.ato.gov.au and search 'downsizer'.

Case study

Rick and **Martin** are both aged in their 60s, own their home jointly and have lived in it for 20 years.

They sell their home in May 2026 for $550,000 and the settlement date is 20 June 2026. They are exempt from capital gains tax (due to the home having been their primary residence).

Under the downsizer contribution measure, within 90 days, Rick contributes $300,000 to his superannuation and Martin contributes $250,000.

Though the cap on downsizer contributions is $300,000, Martin only contributed $250,000 because the combined contributions cannot exceed the sale proceeds of their home. They could have also split the contributions evenly, contributing $275,000 each.

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