

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 9

Topic: First Home Saver Accounts

Hansard Page: Written

Senator Payne asked:

1. How many First Home Saver Accounts have been opened since 31 March 2009, and what is the value of these additional accounts? What is the total value of funds now held in these accounts?
2. Does the Department agree with comments made by the Australian Bankers Association that the Government should revisit the First Home Saver Accounts and ease contribution and withdrawal rules?
3. Does the Department agree with comments made by the Chief Executive of Wagga Mutual Credit Union that the First Home Owners Boost had affected the take up of the accounts?
4. When the First Home Saver Accounts were first contemplated by the Government, what were the numbers of accounts that were estimated to be opened by first home buyers? How does the current number of accounts that have been opened compare with the numbers predicted?
5. What feedback has the Government received from financial institutions on the operation of First Home Saver Accounts, including the requirement that the institutions – the “account providers” – pay tax on account earnings at a rate of 15 per cent?
6. What has been the take-up of these accounts? Do the financial institutions provide statistics to the Government on number of these accounts opened?
7. Does the Government have plans to promote the First Home Saver Accounts through any advertising campaign? If so, which department will fund such a campaign?
8. Is there a contradiction between the promotion of the First Home Owner Grant boost, which now concludes at the end of calendar year 2009, and the requirement to participate in First Home Saver Accounts for contributions of at least \$1000 per annum for each of four financial years before the money can be withdrawn for the purpose of buying a new home.
9. Can the department provide rates of interest being paid on these accounts by major financial institutions?
10. The cap for deposits to First Home Saver Accounts is \$75,000 for the 2008-09 year, with the Commonwealth Government offering to contribute a further 17

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per cent on top of these contributions – but only to a maximum payment of \$850. Is that restriction effectively capping deposits to these accounts at only a few thousand dollars?

11. What is the aggregate expenditure to date in the 2008-09 financial year on government deposits into First Home Saver Accounts?
12. What is the estimated tax revenue foregone as a result of the concessional taxation rate of 15 per cent applying to earnings on these accounts?

Answer:

1.

APRA advise that as at 31 March 2009 there were 10,800 First Home Saver Accounts (FHSA) with a total value of \$19,399,467.

Data for the June quarter is not yet available.

2.

Treasury is unaware of any proposals to revisit the contribution and withdrawal rules.

3.

Treasury acknowledges that the introduction of the First Home Owners Boost (FHOB) has affected the uptake of FHSAs. The FHOB was intended as a short term, stimulatory measure to directly assist the housing industry in response to the Global Financial Crisis. We expect the take up of FHSA to increase once the FHOB is phased out on 31 December 2009.

4.

The 2008 Budget used an estimate of 220,000 First Home Saver Accounts being opened by 30 June 2009. We expect actual numbers to fall well short of this estimate.

The estimated cost to revenue and administered expenses were revised for the 2009 Budget. The revised administered expense forward estimates of the scheme are shown on page 226 of the 2009-10 Treasury Portfolio Budget Statement.

5.

The Government receives regular feedback from the public and stakeholders on FHSA and other policies.

6.

Refer to question 1.

7.

Treasury is unaware of any future plans to undertake a new campaign to advertise FHSAs.

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8.

Treasury acknowledges that the introduction of the FHOB has affected the take up of FHSAs. However, we note that the FHOB was introduced in October 2009 to provide an immediate, short term stimulus to the housing industry in response to the Global Financial Crisis. Contrary to the immediacy of the FHOB, the FHSA is designed to assist first home buyers to save for their first home over the longer term. We anticipate that the uptake of these accounts will increase as the FHOB is phased out on 31 December 2009.

9.

Treasury is unaware of the interest being paid on these accounts, as the interest rate on these accounts is set at the discretion of the account providers.

10.

No. The cap on the balance is \$75,000 indexed.

11.

At this time it is unlikely that the Australian Taxation Office has paid contributions to the individual account holders. The government contribution is made once the account providers have lodged a FHSA activity report with the ATO, and the individual account holders have lodged their individual tax returns. Account providers can lodge their first activity reports at any time from 6 July 2009 to 31 October 2009.

12.

For 2008-09, the 15 per cent tax rate on fund earnings is expected to lower revenue by around \$0.3 million.