

KiwiSaver First Home Purchase Withdrawal and KiwiSaver HomeStart Grant

There are two parts to the KiwiSaver home buyers' assistance programme:

1. KiwiSaver withdrawal to purchase a first home (or, in limited circumstances, to purchase a home as a previous home owner)

- This is a one-off withdrawal from a member's KiwiSaver scheme, permitted only in certain circumstances.
- The withdrawal facility is administered by each KiwiSaver scheme provider.

Further information is provided below.

2. KiwiSaver HomeStart Grant

- This is a one-off grant paid by the government to help a member purchase his or her first home, or to purchase a home as a previous home owner.
- The availability of the KiwiSaver HomeStart is subject to strict income and purchase price caps and other qualifying criteria.
- The KiwiSaver HomeStart Grants facility is administered by Housing New Zealand Corporation (HNZC). Further information is provided below.

For comprehensive information on both the first home purchase withdrawals facility and the KiwiSaver HomeStart Grant, see the brochure *Buying your first home with KiwiSaver* at <http://www.hnzc.co.nz/our-publications/Brochures/buying-your-first-home-with-kiwisaver/buying-your-first-home-with-kiwisaver.pdf>.

References

First home withdrawals from KiwiSaver schemes are provided for in:

1. KiwiSaver Act 2006, Schedule 1, clause 8; and
2. KiwiSaver Regulations 2006, regulations 30 and 31.

The KiwiSaver HomeStart Grant is payable tax free pursuant to clause 1A of the Schedule to the Income Tax (Social Assistance Suspensory Loans) Order 1995 (inserted on 1 July 2010).

KiwiSaver withdrawal to purchase a first home

Who can apply?

A KiwiSaver member may apply for a first home withdrawal provided:

1. at least 3 years have passed since Inland Revenue received the first contribution for the member, or the member has been a member of 1 or more KiwiSaver schemes or complying superannuation funds for a combined total period of at least 3 years; and
2. the member has not made a home purchase withdrawal before; and
3. the property the member is purchasing is, or is intended to be, the principal place of residence for the member (or for the member and persons in his or her family); and
4. the property the member is purchasing qualifies as an 'estate in land'* within the meaning of the KiwiSaver Act 2006; and
5. the member has never held an estate in land, either alone or jointly with another person (subject to the exceptions set out under *Permitted forms of prior ownership*, below).

* An 'estate in land' means a fee simple, leasehold or stratum estate. However, a member can make a withdrawal to purchase an interest in a dwelling house (a building intended for use principally as a private residence) on Maori land if he or she also meets conditions 1-3 and 5 – the member should contact his or her KiwiSaver scheme for additional details and a withdrawal form in that case.

In certain limited circumstances, persons who have previously owned a home may be eligible for a first home withdrawal (see *KiwiSaver home purchase withdrawal by a previous home owner*, below).

Permitted forms of prior ownership

A KiwiSaver member may still be eligible if they hold, or previously held, an estate in land:

- (a) as a bare trustee; or
- (b) which is or was a leasehold interest; or
- (c) which is or was an interest in Maori land; or
- (d) as a trustee who:
 - (i) is or was a discretionary, contingent, or vested beneficiary under the relevant trust; but
 - (ii) has (or had) no reasonable expectation of being entitled to occupy the land as the principal place of residence for the member or his or her family until the death of the current occupier or the death of the occupier's survivor.

What can be withdrawn?

If a first home purchase withdrawal is permitted then the member can withdraw everything from his or her account other than:

- \$1,000 (this requirement is imposed in order to ensure that the member's KiwiSaver scheme membership will continue post-withdrawal); plus
- any amount transferred to KiwiSaver from an Australian complying superannuation scheme (disregarding any positive or negative investment returns on that amount).

The \$1000 which must remain in the member's KiwiSaver account will be made up of firstly of government contributions (i.e. any 'kick-start' contribution or member tax credit contributions) and then, to the extent those government contributions are insufficient, from the member's and his or her employer's contributions.

Documents required

Before a withdrawal can be made, the KiwiSaver scheme provider will require both:

- a pre-printed bank deposit slip from the member's solicitor's trust account; and
- a certificate from the member's solicitor enclosing a copy of a sale and purchase agreement which clearly shows the member as the purchaser (and contains an undertaking, in a form acceptable to the trustee, relating to the nature of the agreement and the application of funds withdrawn).

KiwiSaver home purchase withdrawal by a previous home owner

A previous home owner is eligible to make a withdrawal from KiwiSaver to buy a first home if he or she holds a written notice from HNZC to the effect that it:

"is satisfied that the income, assets, and liabilities of the person represent a financial position that would be expected of a person that has never held an estate in land (whether alone or as a joint tenant or tenant in common)."

(Clause 31(c), KiwiSaver Regulations 2006).

The application form for this notice is available here: <http://www.hnzc.co.nz/about-us/Forms-and-applications/Kiwisaver-application-form/Kiwisaver-application-form/view?searchterm=kiwisaver>.

Who can apply?

A member may apply for a previous home owner's withdrawal if:

1. at least 3 years have passed since Inland Revenue received the first contribution for the member, or the member has been a member of 1 or more KiwiSaver schemes or complying superannuation funds for a combined total period of at least three years; and
2. the member has not made a home purchase withdrawal before; and

3. the property the member is purchasing is, or is intended to be, the principal place of residence for the member (or for the member and persons in the member's family); and
4. the property the member is purchasing qualifies as an 'estate in land' within the meaning of the KiwiSaver Act 2006 (but see *KiwiSaver withdrawal to purchase a first home*, above); and
5. HNZN is satisfied (see details below) that the member's income, assets and liabilities are what would be expected of a person who has never owned a property.

More details of how previous home owners will qualify under the last bullet point above are set out by HNZN at page 8 of its booklet *Buying a home with KiwiSaver*, which can be found on its website www.hnzn.govt.nz/kiwisaver.

What can be withdrawn?

If a KiwiSaver home purchase withdrawal by a previous home owner is permitted then the amount able to be withdrawn will be as set out under *KiwiSaver withdrawal to purchase a first home* (above).

How HNZN tests a member's eligibility

To assess whether a previous home owner is eligible for a first home withdrawal, HNZN's assessment criteria as at 30 June 2015 are that it will consider whether:

- the member's before-tax income in the preceding 12 months (if he or she is the sole buyer) was \$80,000 or less, or the member's and all other purchasers' combined before-tax income in the preceding 12 months (if there are 2 or more buyers) was \$120,000 or less; and
- the member does not have 'realisable assets' of more than 20% of the relevant regional house price cap, which is:
 - \$550,000 for Auckland City;
 - \$450,000 for Hamilton City, Tauranga City, Western Bay of Plenty District, Kapiti Coast District, Porirua City, Upper Hutt City, Hutt City, Wellington City, Nelson City, Tasman District, Waimakariri District, Christchurch City, Selwyn District and Queenstown Lakes District; and
 - \$350,000 all other areas.

The purpose of the realisable assets test is to ensure that previous home owners who have insufficient assets to obtain a mortgage without government assistance will qualify for a first home withdrawal. Details of what HNZN considers to be realisable assets are set out at page 10 of the booklet *Buying a home with KiwiSaver*, which can be found on its website www.hnzn.govt.nz/kiwisaver.

Conditional sale and purchase agreement – withdrawal to pay a deposit

Who can apply?

A member who qualifies for a KiwiSaver withdrawal to buy a home may choose to apply some or all of the amount withdrawn to pay the deposit under a **conditional** agreement for sale and purchase.

The member applies in the manner described under *KiwiSaver withdrawal to purchase a first home* (above). Payment will only be made to the member's solicitor and will require specific undertakings in relation to ensuring the deposit is to be held by a stakeholder (such as the vendor's solicitor or real estate agent).

What can be withdrawn?

The amount permitted to be withdrawn for this purpose is the same as is set out under *KiwiSaver withdrawal to purchase a first home* (above), even if that amount is greater than the deposit payable under the sale and purchase agreement.

To the extent that the funds withdrawn exceed the deposit amount, they must be used towards payment of the purchase price of the property at settlement.

KiwiSaver HomeStart Grant (administered by HNZC)

Who can apply?

Members who qualify for a home purchase withdrawal and have contributed to a KiwiSaver scheme, complying superannuation fund or exempt employer scheme at the required minimum level for a combined total period of 3 or more years, and who meet the other eligibility criteria, are entitled to a KiwiSaver HomeStart Grant from the government in the amount of:

- \$1,000 per year of savings, up to a maximum of \$5,000 per person, for the purchase of an existing home; or
- \$2,000 per year of savings, up to a maximum of \$10,000 per person, for the purchase of a newly built home, a property being bought off the plans, or land to build a new home on.

In order for the member to be eligible for the larger of the two alternative KiwiSaver HomeStart Grants, the property must be being purchased off the plans, a vacant residential section that is ready to build on with a view to building a new home, or a home which has received its building code compliance certificate within the 6 months before HNZC receives the KiwiSaver HomeStart Grant application.

The member's 3 years of contributions do not have to be consecutive - for example, if the member has taken a contribution holiday at some point, he or she will still be eligible for the minimum KiwiSaver HomeStart Grant so long as (when combined) the periods during which he or she was contributing at or above the required minimum rate total 3 or more years.

How to apply

Applications for a KiwiSaver HomeStart Grant must be made via HNZC – go to <http://www.hnzc.co.nz/about-us/Forms-and-applications>.

It is recommended that members apply early in the purchase process to determine eligibility.

Qualifying criteria in more detail

General

To be eligible for the KiwiSaver HomeStart Grant, an applicant must:

- never have made a home purchase withdrawal before;
- have been a member of a KiwiSaver scheme (or a complying superannuation fund or exempt employer scheme) for a combined total period of at least 3 years and have regularly contributed (see below) at least at the minimum rate, as a percentage of their income, for at least 3 years - the minimum rate:
 - was 4% of income from 1 July 2007 to 31 March 2009;
 - was 2% from 1 April 2009 to 31 March 2013; and
 - has been 3% since 1 April 2013;
- be a first home buyer (or a previous home owner in a similar financial position to a first home buyer);
- be buying a house within the regional house price caps (see below);
- have a household income within the income caps (see below); and
- live in the house for at least 6 months.

For the purpose of assessing the level of contributions, applicants will need to provide payment records from Inland Revenue, their employer or their scheme provider(s).

Definition of regular contributions

What constitutes a 'regular' contribution varies according to employment type:

- wage and salary earners must contribute at least monthly and self-employed people must contribute at least annually over the qualifying period;
- where a person has been earning a combination of salary, wage or self-employment income, a combination of the above approaches will be used to confirm regular contributions over the qualifying period;
- non-earners will be eligible for a KiwiSaver HomeStart Grant if they make an annual contribution equating to at least the minimum percentage (see above) of the minimum annual wage over the qualifying period; and
- beneficiaries will be eligible for a KiwiSaver HomeStart Grant if they make an annual contribution equating to at least the minimum rate (outlined above) of their gross benefits over the qualifying period.

Regional house price caps

The house price caps are:

- Auckland – \$550,000;
- Hamilton City, Tauranga City, Western Bay of Plenty District, Kapiti Coast District, Porirua City, Upper Hutt City, Hutt City, Wellington City, Nelson City, Tasman District, Waimakariri District, Christchurch City, Selwyn District and Queenstown Lakes District – \$450,000; and
- rest of New Zealand – \$350,000.

Household income caps

If the member is the sole buyer, he or she must have earned an income of \$80,000 or less (before tax) in the last 12 months.

If the member is one of 2 or more buyers, the member's and all other buyers' combined before-tax income in the preceding 12 months must have been \$120,000 or less.

Evidence required supporting the HNZC application:

The member will generally need to supply:

- proof of income for the past 52 weeks;
- proof of contributions to their scheme or schemes (KiwiSaver scheme providers may need to provide their members with records of their annual KiwiSaver contributions to support an application to HNZC);
- identification (being a photocopy of passport or birth certificate); and
- a copy of the sale and purchase agreement which clearly shows the member as a purchaser.

There are detailed evidence requirements which may differ if the member is self-employed, a non-earner or a beneficiary.