

HomeBuilder Scheme

How we can help
#simpletips

It's
Simple.
Finance



A hand is shown holding a white rectangular box against a light-colored wooden surface. The background is a blurred wooden wall.

Australian homeowners will be offered grants of \$25,000 to build new, purchase off the plans or renovate their existing homes as part of the HomeBuilder Scheme as announced by the Federal government last week.

The scheme was developed to protect the residential construction industry, particularly tradies' jobs, in the wake of the COVID-19 pandemic. HomeBuilder represents a significant opportunity for first home buyers and existing owner occupiers. Eligibility criteria and value thresholds do apply, so we'll break it down and keep it Simple for you.

Where do we come in? We'll help you arrange finance to either purchase your first home (congratulations!) or refinance your mortgage in order for you to access the equity you need to make renovations.

The information in this booklet is general in nature and should not be considered professional financial advice. This information does not take into account your personal situation. You should consider whether the information is appropriate to your needs, and where appropriate, seek professional advice from a financial adviser.

What you need to know

- 🗨️ **First home buyers are eligible** for the scheme, but you do not have to be a first home buyer to qualify.
- 🗨️ The HomeBuilder scheme is **uncapped but time limited**. HomeBuilder will provide eligible owner-occupiers (including first home buyers) with a grant of \$25,000 to build a new home or substantially renovate an existing home where the contract is signed between 4 June 2020 and 31 December 2020. Construction must commence within three months of the contract date.
- 🗨️ There is a value of dwelling / renovation threshold that applies:
 - Where building a new home as a principal place of residence, the **property value must not exceed \$750,000** to be eligible for HomeBuilder;
 - Where substantially renovating your existing home as a principal place of residence, the renovation contract must be between **\$150,000 and \$750,000**, and the value of your existing property must not exceed \$1.5 million.
- 🗨️ **Off the plan apartments are included** as new builds and therefore people purchasing off the plan will be eligible for HomeBuilder.

“
Hmm, so – in order to get the HomeBuilder \$25k grant for your renovation, you need to spend \$150k, but.. who has that kind of cash lying around?
”

The government did not envisage the bulk of these substantial renovations to be paid for in cash, but rather, for homeowners to draw down on the equity in their homes. That's where we come in, we can refinance your loan to allow you to draw down on equity to access the HomeBuilder grant.

The fine print:

- To access HomeBuilder, owner occupiers must meet the following eligibility criteria:
 - Be a natural person (not a company or trust)
 - Be aged 18 years and older
 - Be an Australian citizen
 - Meet one of the following two income caps:
 - \$125,000 per annum for an individual applicant (based on 2018 – 2019 returns or later)
 - \$200,000 per annum for couples (based on 2018 – 2019 returns or later)
- HomeBuilder will complement existing State and Territory First Home Owner Grant programs, stamp duty concessions and other grant schemes, as well as the Commonwealth's First Home Loan Deposit Scheme and First Home Super Saver Scheme.
- Owner-builders and those seeking to build a new home or renovate an existing home as an investment property are ineligible for HomeBuilder.
- The renovation works must be to improve the accessibility, safety and liveability of the dwelling. It cannot be for additions to the property such as swimming pools, tennis courts, outdoor spas and saunas, sheds or garages (unconnected to the property).



Common questions

Why has this scheme been implemented?

HomeBuilder is a time-limited, tax-free grant program to help the residential construction market to get through the Coronavirus pandemic.

HomeBuilder will provide eligible owner-occupiers (including first home buyers) with a grant of \$25,000 to build a new home or substantially renovate an existing home.

When can I access the grant?

HomeBuilder will be available for building contracts signed between 4 June 2020 and 31 December 2020, where construction or renovation commences within three months of the contract date.

How do I access the grant?

Contact your relevant State or Territory authority on when and how to apply for HomeBuilder.

What if I plan to move interstate?

You will be able to apply for HomeBuilder with the Government of the State or Territory that you live in, or plan to live in.

I own an investment property, am I eligible?

Those seeking to build a new home which will be used as an investment property, or renovate an existing home which is an investment property, will not be eligible for HomeBuilder.

I am a builder, am I eligible?

Owner-builders will not be eligible.



Common questions

Are there a limit on how many grants will be given?

No. HomeBuilder is an uncapped, time-limited grant.

What dwelling types are eligible?

All dwelling types (house, apartment, house and land package, off-the-plan, etc) are eligible under HomeBuilder, in accordance with the requirement that the owner-occupier must contract to build a new dwelling or substantially renovate their existing dwelling. The applicant must also meet the eligibility requirements outlined above.

Is HomeBuilder taxed?

No – a HomeBuilder grant will not be taxed.

Can anyone do my building works?

Any building contract entered into must be at arm's length. This means the contract must be made by two parties independently of each other and without some special relationship, such as being a relative. The terms of the contract should be commercially reasonable and the contract price should not be inflated compared to the fair market price.

Can I make any modification to my home and apply for a grant?

The renovation works must be to improve the accessibility, safety and liveability of the dwelling. It cannot be for additions to the property such as swimming pools, tennis courts, outdoor spas and saunas, sheds or garages (unconnected to the property).



Examples

First home buyers Emma and Liam decide to purchase a house and land package.

- Emma and Liam enter into a house and land contract for \$550,000 on 25 September 2020. Emma and Liam's bank applies on the couple's behalf to the relevant State or Territory revenue office to receive the HomeBuilder \$25,000 grant. The revenue office conducts the eligibility checks and reviews the couple's documentation and confirms that both Emma and Liam are Australian citizens, over the age of 18, have a combined taxable income under \$200,000 based on their 2018-19 tax return and the value of the contract is under the \$750,000 contract price cap.
- Emma and Liam qualify for HomeBuilder and will receive the \$25,000 grant. As the couple are both first home buyers, Emma and Liam may also be entitled to their State's First Home Owner Grant and stamp duty concessions as well as the Commonwealth's First Home Loan Deposit Scheme and First Home Super Saver Scheme.

How can I use equity in my home?

Equity is the difference between the value of your home and the amount you still owe on your mortgage. You realise equity either when you pay down your mortgage, or your home increases in value. An equity loan can be substituted for cash for a number of uses, like completing a renovation or buying an investment property.

Examples

Owner-occupier Cassidy decides to substantially renovate her home.

- Cassidy purchased her home 10 years ago for \$650,000. Now, the home is worth \$1,000,000, so its value has increased by \$350,000. Given Cassidy's lender will allow her to draw equity on up to 80% of the value of the security, for Cassidy this means up to \$800,000, so she has exactly \$150,000 usable equity. Cassidy enters into a contract to substantially renovate her home on 1 December 2020, with renovations valued at \$150,000. She is then able to apply directly to her State or Territory revenue office to receive the \$25,000 HomeBuilder grant. The renovations of her home commence on 2 February 2021.
- The revenue office conducts the eligibility checks and confirms that Cassidy owns the property, is an Australian citizen, over the age of 18, and has a taxable income under \$125,000 based on her 2019-20 tax return. The revenue office also confirms the value of the renovations is between \$150,000 and \$750,000, and the value of her home is less than \$1.5 million and Cassidy has made the first progress payment on the renovations. The revenue office approves the application and she is eligible for HomeBuilder.

How much of my equity can I actually use?

Lenders will usually allow you to draw equity up to 80% of the value of the security.

First home buyer Rebecca decides to purchase an off-the-plan apartment

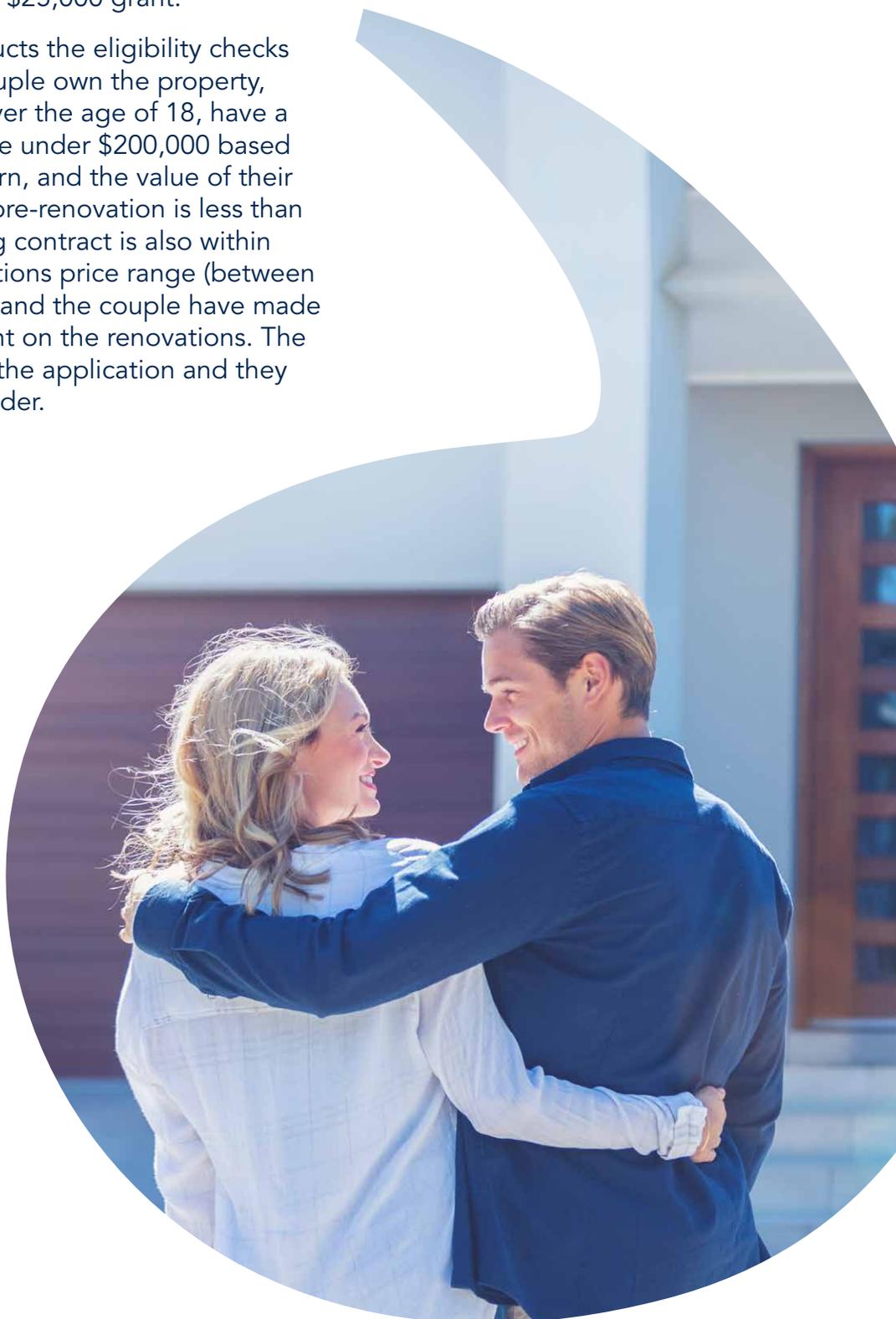
- First home buyer Rebecca enters into a contract to purchase an off-the-plan apartment valued at \$550,000 on 6 October 2020. Rebecca's lender applies on her behalf to the relevant State or Territory revenue office to receive the HomeBuilder \$25,000 grant. The revenue office conducts the eligibility checks and reviews Rebecca's application documentation. The revenue office confirms that Rebecca is an Australian citizen, over the age of 18, has a taxable income under \$125,000 based on her 2018-19 tax return and the value of the off-the-plan apartment is under the \$750,000 contract price cap.
- As Rebecca is a first home buyer, she may also be entitled to their State's First Home Owner Grant and stamp duty concessions as well as the Commonwealth's First Home Loan Deposit Scheme and First Home Super Saver Scheme.

Examples

Owner occupiers Jacqui and Henry decide to knock down and rebuild their existing home

Jacqui and Henry enter into a building contract to knockdown and rebuild their existing home on 24 August 2020, with the knockdown and rebuild contract valued at \$400,000. The value of the property is \$800,000 (including the current value of the dwelling and land). It is unencumbered, meaning they don't owe a mortgage on it. The couple pay the builder \$15,000 to commence the knockdown and rebuild on 14 September. Jacqui and Henry's bank applies on the couple's behalf to the relevant State or Territory revenue office to receive the HomeBuilder \$25,000 grant.

The revenue office conducts the eligibility checks and confirms that the couple own the property, are Australian citizens, over the age of 18, have a combined taxable income under \$200,000 based on their 2018-19 tax return, and the value of their existing home and land pre-renovation is less than \$1.5 million. The building contract is also within the HomeBuilder renovations price range (between \$150,000 and \$750,000) and the couple have made the first progress payment on the renovations. The revenue office approves the application and they are eligible for HomeBuilder.





As digital and mobile brokers, we can help you take the steps required to access HomeBuilder. If you're looking to purchase a house and land package, off the plan property, or you finally think you might be ready to make substantial home improvements, we'll take the pain away from arranging finance.

We're all in this together.

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