

Federal Government Home Builders Grant - A Must Read Article That Explains It All

Here's what our guide covers:

1. What is the Homebuilder grant?

3. Important dates

5. Using HomeBuilder towards your deposit
2. The criteria you need to meet

4. What types of builds can I use HomeBuilder for?

6. The application process

1. What is the HomeBuilder Grant?

It's a \$25,000 tax-free Australian Government grant designed to boost the construction sector.

The grant is available for first home buyers and existing homeowners. It's not available to investors or owner builders

The grant can be used to build a new home or renovate an existing home.

Examples of HomeBuilder case studies can be found [here](#).

2. The criteria

To qualify for the HomeBuilder grant:

- You must spend at least \$150,000 (and up to \$750,000) on home renovations
- The value of the property you're renovating must not exceed \$1.5 million pre-renovation.
 - For new builds, the value of the property must not exceed \$750,000.
 - New builds can include an apartment or townhouse off the plan
 - You must be 18 years or older.
- Only Australian citizens can apply. (Companies and trusts are not allowed).
- The construction must start within three months of the building contract date.
- You have to enter the HomeBuilder scheme between 4 June 2020 to 31 December 2020.

For more details around this criteria view the [HomeBuilder Frequently Asked Questions](#) Issued by the Australlan Government.

What are the HomeBuilder income caps?

- Singles must be earning \$125,000 or less on your 2018-19 tax return
- Couples must have a combined income of no more than \$200,000 on your 2018-19 tax return

The income limit is based on your gross income, which is the amount before tax and excludes superannuation.

The easiest way to check your income is to download your 2019 Notice of Assessment, which shows your taxable income for the 2018-2019 financial year.

The government has since updated the HomeBuilder Fact Sheet confirming the way they will want you to prove taxable income is:

Taxable income is shown on your notice of assessment. The notice of assessment is issued by the Australian Taxation Office once your tax return for an income year is processed and this can be used to demonstrate your taxable income.

Note: Taxable income is your gross income less allowable deductions and represents the amount of income you pay tax on. More information on taxable income can be found [here](#).

3. Important dates

The HomeBuilder grant is heavily reliant on set dates.

The HomeBuilder grant is only available on building contracts signed between 4th June 2020 and 31 December 2020 and construction must begin within three months of the contract date.

You will need to sign a building contract after 4th June 2020 and before 31st December through a licensed or registered builder to be eligible. This means that you cannot be an owner-builder or use a contract from earlier in the year even if construction hasn't started yet.

The construction of your new home or renovation must begin within three months of signing your building contract. So if the contract is dated 1 October 2020, your builder needs to have started construction on or before 1 January 2021.

Another loophole to watch for is if you are buying an off the plan apartment or townhouse the construction needs to start on or after 4th June 2020. This means that if the construction started before 4th June but you signed the contract after this date you will NOT be eligible either.

4. What type of builds can I use HomeBuilder for?

All dwelling types including a house, apartment, house and land package, off-the-plan are all allowed.

While Homebuilder will apply to all dwelling types, if you are building a duplex you will only be able to claim one of the properties as your principal place of residence, making the other property an investment and therefore ineligible for the HomeBuilder Grant.

However, if renovating, your renovation must "improve the accessibility, liveability and safety of the property".

Therefore the following additions are NOT allowed:

- swimming pools
- tennis courts
 - sheds
- Granny flats
- Outdoor spa
 - Saunas
- Landscaping

You also cannot use the grant on an investment property.

What if I own land but haven't signed a contract to build a new house yet?

Yes, you are still eligible if you meet the following criteria:

- If you own a property (house and land) and knock the house down to rebuild – this will be counted as a substantial renovation, and therefore subject to the renovation price range of \$150,000 to \$750,000 provided the total value (house and land) of the property does not exceed \$1.5 million pre-renovation
- If you own vacant land before 4 June 2020, and then build, the total value of the land and new build cannot exceed \$750,000; or
 - If you buy the land after announcement, and then build, the total value of the land and build cannot exceed \$750,000.

How will they determine if my property exceeds 1.5 million in value?

The Australian Government stated:

The evidence to demonstrate the value of your property is a matter for determination by each State and Territory. States and Territories may consider evidence such as a recent contract of sale for the property, a rates notice that identifies the Capital Improved Value, or a bank or independent valuation.. Further information will be available through your State or Territory.

The Queensland Government is yet to provide information specifically for our state as of 20 June 2020.

5. Using HomeBuilder towards your deposit

This is the fun part. Getting the money over the line can be nerve-racking and exhilarating all at the same time, especially if you're a first home buyer.

HomeBuilder could help reduce your Lenders Mortgage Insurance cost by thousands.

Or just help you borrow less, and pay off your loan faster.

How much deposit do I need to purchase a new home?

It's often assumed that because banks do 95% loans that this means you need the remaining 5% as a deposit. This is often not correct, as there are other costs that need to be factored in.

The figure is usually closer to needing 8% of your purchase price, and if it's your second home you will also need to pay stamp duty as your deposit might be closer to 10% by the time you're ready to buy.

Will the HomeBuilder count in our initial deposit?

At this stage, it doesn't look like you can use your HomeBuilder towards your initial deposit because the government hasn't clearly confirmed the time frames around when they are going to physically pay the HomeBuilder grant.

What they have said is that your state or territory revenue office will distribute the money to the applicant.

So the good news is that you will receive the money directly to your account once approved. But it may be a little while down the track before you see your money. And this won't help with reducing your lender's mortgage insurance costs, unfortunately.

It's expected that for new builds, grants will be paid in line with the timing of payments for first homeowner grants or at the discretion of your State and Territory if there are no first homeowner grant schemes in place.

For substantial renovations, grants will be paid once at least \$150,000 of the contract price has been paid in respect of the renovation.

Triple the boost for first home buyers

The HomeBuilder grant can be used with existing state grants like First Home Owners Grant and even the First Home Loan Deposit Scheme.

In Queensland the following grants are available:

- First Home Owners grant – \$15,000
- First Home Loan Deposit Scheme – LMI waived for first home buyers

Add this to the \$25k in HomeBuilder and you are looking at a good \$40 plus what you will save in Lenders Mortgage Insurance, which is potentially up to \$50K in savings.

The restrictions for first home buyers are that these schemes are only available on new homes valued up to \$750,000.

You can find more information on the First Home Owners grant [here](#).

6. The application process

You will need to apply for the HomeBuilder scheme through the [Queensland revenue office](#).

More information on how to apply will be made available when the National Partnership Agreement is finalised. It is expected that where possible, States and Territories will align the HomeBuilder application processes with existing processes for first home owner grants (or similar).

What documents do I need to provide for my application for the grant?

- Proof of identity
- Copy of contract that is signed and dated by you and the registered or licenced builder
 - Copy of builder's registration or licence
- Copy of your 2018-19 tax return to demonstrate income cap eligibility
- Potentially other documents like council approvals, building contracts, evidence of the land value

At North Brisbane Home Loans we are happy to help you determine if you're eligible for the HomeBuilder scheme.

Once we've established your eligibility we can organise a pre-approval so you can be confident when engaging a builder for your renovation plans or new home project.