

Spouse contributions

Fact sheet – May 2020

Contribute to your spouse's super to receive a tax offset and build retirement savings.

What are spouse contributions?

A spouse contribution involves making a contribution to a spouse's super fund to build their retirement savings.

What are the benefits?

- You may receive a non-refundable tax offset up to \$540 for contributions made on behalf of a low income earning or non-working spouse.
- Boost the super balance of a spouse who has little or no super and grow your retirement savings as a couple.
- Accumulate wealth since earnings within super may be taxed at a lower rate than investments outside super.

Who can this strategy work for?

If your spouse is earning less than \$40,000 in the 2019/20 financial year, you may be eligible to claim a tax offset for spouse contributions you make for them.

To claim the tax offset for spouse contributions in the 2019/20 financial year:

- Both you and your spouse must be Australian residents for tax purposes and not be living separately and apart on a permanent basis
- Your spouse's assessable income (plus reportable fringe benefits and reportable employer super contributions) is less than \$40,000 for the year
- Your spouse has not exceeded their non-concessional contributions cap for the year
- Your spouse's total superannuation balance is less than \$1.6 million on 30 June 2019
- The contribution is made to a complying super fund.

How does it work?

If your spouse's assessable income (plus reportable fringe benefits and reportable employer super contributions) totals \$37,000 or less, you could be eligible to reduce your tax by up to 18% on the first \$3,000 of after-tax income you contribute into their super.

This means you could be eligible to get \$540 back on the \$3,000 you contribute.

This may not sound like much as a one-off, but over time it can grow to a substantial saving.

The tax offset decreases as your spouse's income exceeds \$37,000 and cuts off when their income is \$40,000 or more. This doesn't mean you can no longer contribute, it just means you won't receive a tax offset.

Spouse contributions are not subject to the 15%¹ contributions tax and they are tax-free on withdrawal. Contributions you make on behalf of your spouse will count towards their non-concessional contributions cap.

The non-concessional cap for the 2019/20 financial year is \$100,000 and is available to your spouse if their total superannuation balance at 30 June 2019 is less than \$1.6 million.

If your spouse is under 65 years of age on 1 July 2019 they may be able to bring forward up to two years' contributions caps, depending on their total superannuation balance. This may allow your spouse to contribute up to \$300,000 in one financial year.¹ Spouse contributions can only be made for a spouse under the age of 70.

You should take care in not exceeding non-concessional contribution caps as penalties apply.

Contributions in excess of the non-concessional contributions cap plus 85% of an associated earnings amount may be released from super. 100% of associated earnings are taxed at the individual's marginal tax rate and a non-refundable 15% tax offset applies. Any excess non-concessional contributions not released from super will be taxed at 47%.

Case study – meet Craig

Craig is 35 years of age and currently earns \$95,000 p.a. Each year he salary sacrifices to super to fully utilise his concessional contribution limit.

He is married to Angela, also 35 years of age, a stay at home mum who does not earn any income. Craig receives an annual bonus of \$5,000 (net of tax).

Craig speaks to a financial adviser to assess his options. His adviser suggests he contribute the \$5,000 into Angela's super fund as a spouse contribution.

By doing this, Craig receives a \$540 tax offset for the first \$3,000 he contributes. Not only does he save on tax, but this also helps Craig and Angela build their retirement savings.

¹ Assuming they haven't triggered the bring forward in the previous two financial years. A contribution work test and 'work test exemption' applies where contributions are made for someone 65 years or older.

If you have any questions or require further information contact us today.

