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Spouse contributions

We allow members to make contributions on behalf of their spouse. If spouse contributions can be made and a spouse is not working or is a low-income earner, the contributing partner may be able to claim a tax offset.

Who is a spouse?

'Spouse' refers to both a legal or a de facto spouse (of the opposite sex or same-sex), but does not include a person who lives separately and apart from the taxpayer on a permanent basis, even though legally married to the taxpayer.

How much can you contribute?

Although there is no limit on how much the partner can contribute on behalf of the spouse, the maximum contribution eligible for the offset is $3,000.

However, since spouse contributions count towards the non-concessional cap (see *Contributions*), there are limits on what can be accepted in a super account by the receiving spouse.

How does the spouse offset work?

The spouse offset applies to contributions made by a taxpayer for a spouse subject to the following conditions:

- the spouse's total superannuation balance is under $1.6 million
- the spouse has not exceeded their non-concessional cap in the financial year
- the contributions are not tax deductible to the taxpayer
- the taxpayer and spouse are residents of Australia
- the spouse is under 65 (whether working or not), or is age 65 to 69 and works at least 40 hours within a continuous 30-day period in the financial year the contribution is made.

The tax offset amount is calculated as 18 cents for each $1 contributed. The maximum offset of $540 for contributions of $3,000 or more reduces where the spouse's assessable income is above $37,000 and cuts out where income is above $40,000.

Although the offset is valuable, putting money in a spouse's account can be a form of insurance against legislative changes. It effectively allows two people to build up tax-exempt components in their own names.

A tax-exempt component is tax-free when received as a lump sum benefit or as pension payments (when a pension is purchased with super benefits). In addition super or pension benefits received from age 60 onwards are tax free.

If the receiving spouse is due to retire or meets a condition of release, this could be of benefit to the couple as it may offer them additional lifestyle options.

Spouse contributions allow for both the contributing member and the receiving spouse to access two low rate thresholds and minimise tax if under 60 when accessing the benefits. While non-concessional contributions are tax-exempt any growth on the contribution that is over the threshold is assessable for tax purposes.

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Spouse contributions are preserved

Spouse contributions can only be accessed once the spouse reaches preservation age and retires, meets a release criteria or reaches age 65. These contributions can be rolled over or can be used to purchase a superannuation pension.

In addition:

- non-concessional contributions are not taxed on entry to the trust
- no tax deductions are allowed to the contributing spouse
- non-concessional caps apply to members and contributions in excess of this cap will be taxed at the highest marginal tax rate plus Medicare levy.

Advantages of contributing

- In some cases, being able to claim a tax offset up to $540 reduces the contributor's PAYE tax liability.
- It is a way to split assets, which may have certain tax benefits.
- Investing in a concessionally taxed environment (a maximum of 15% as opposed to the investor's marginal tax rate).
- Building a large amount of non-concessional contributions that are tax-free if cashed, or paid as tax-free income from an annuity or pension (investment earnings are taxed while in the superannuation plan during this accumulation phase).
- The annuity or pension income will be subject to a 15% rebate.
- The investment will be in a tax-free environment when a retirement pension is purchased. Investment earnings on assets in retirement pensions are tax free. Earnings on assets in transition to retirement pensions are taxed at up to 15%.

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It all adds up

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