TRAC

The Retirement Advice Centre

The "Your Guide To" Series

Spouse Contributions

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Your Guide to Spouse Contributions

Contributing into your spouse's superannuation increases your spouse's retirement savings and may provide you with an offset to reduce your tax payable.

What are the benefits?

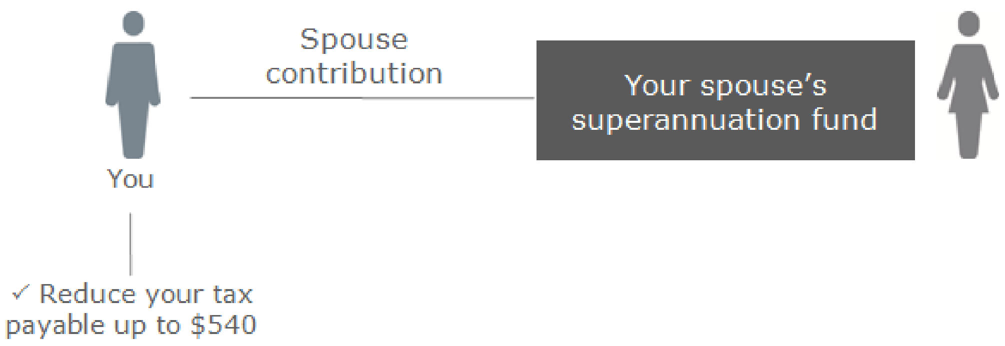
- You may be eligible for a tax offset to help reduce your tax payable.
- If you receive a part Age Pension and your spouse is under Age Pension age, your pension might increase because your spouse's super doesn't count as an asset.
- The additional contributions can help your spouse cover the cost of insurance premiums if his or her insurance is held inside super.
- You may be able to achieve a higher after tax rate of return compared to investing outside of super because earnings inside super are taxed at a maximum rate of just 15%, whereas earnings outside of super are generally taxed at your marginal tax rate.

How do spouse contributions work?

To be eligible to receive a spouse contribution, your spouse must be either under age 65, or aged between 65 and 70 and have met the work test.

The work test requires your spouse to have been gainfully employed for at least 40 hours in any 30 consecutive day period in the financial year in which the contribution is made.

Spouse contributions cannot be made once your spouse reaches age 70.



The contribution must be made from after-tax money (ie it cannot be a deductible contribution or salary sacrificed contribution) and it must be from savings that the contributor controls (ie their own bank account or a joint account).

Spouse contributions are not taxed upon entry into super and form part of the tax-free component of the spouse's account. This component is tax-free when withdrawn from super, even whilst you are under age 60. The tax-free component is also tax-free if paid, after your death, to a person who does not meet the definition of 'tax-dependant' (such as an adult child).

Tax offset

To be eligible for the spouse contribution tax offset, you and your spouse must both be Australian residents for tax purposes and your super contribution must be made from after-tax income.

The offset is calculated as 18% of the first $3,000 of spouse contributions. The maximum offset of $540 can apply if your spouse's income is less than $10,800. Otherwise the maximum is calculated as follows:

Spouse's income*	Tax offset (maximum $540)
$10,800 or less	Spouse contributions x 18%
$10,800 – $13,799	Lesser of: [$3,000 – (income* - $10,800)] x 18% or spouse contributions x 18%
$13,800 +	Nil

** Income is the total of assessable income (before tax deductions), reportable fringe benefits and reportable employer superannuation contributions (which includes amounts salary sacrificed to superannuation).*

The offset is claimed via your annual income tax return.

Contribution caps

Contribution caps apply to superannuation contributions. The personal contribution you make to your spouse's superannuation account counts towards your spouse's non-concessional contributions cap.

The non-concessional contributions cap for the 2015/16 financial year is $180,000.

If your spouse is under age 65 on 1 July, he or she can bring forward two future years' of contributions to enable contributions of up to $540,000 over a three year period. This bring forward rule is triggered if your non-concessional contributions exceed the annual cap ($180,000 in 2015/16) in a financial year. If your spouse has previously triggered the bring forward rule, any increase in caps since the trigger date will not apply until his or her three year period has elapsed.

Age at 1 July 2015	Annual non-concessional contributions cap	3-year non-concessional contributions cap
Under 65	$180,000	$540,000
65 or older	$180,000	Not applicable

If your spouse exceeds his or her non-concessional cap, excess contributions will be taxed at 49%.

For excess non-concessional contributions made after 1 July 2013, your spouse can avoid the 49% tax by choosing to withdraw the excess contributions from super. If this election is made, 85% of the associated earnings will also need to be withdrawn and will be taxed at your spouse's marginal tax rate.

Other things you should know

- You should maintain a record of your super contributions in case you need to determine your available contributions cap in the future. Maintaining these records can help you avoid inadvertently exceeding your cap.
- Earnings on spouse contributions form part of your spouse's taxable component and attract tax at a maximum rate of 15%.
- All contributions to super are preserved until a condition of release is met.