Spouse contributions

Fact sheet – May 2021

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 2020/2021 financial year, you may eligible to claim a tax offset for spouse contributions you make for them.

To claim the tax offset for spouse contributions in the 2020/2021 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 2020
- 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 2020/2021 financial year is $100,000 and is available to your spouse if their total superannuation balance at 30 June 2020 is less than $1.6 million.

If your spouse is under 65 years of age on 1 July 2020 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 75 and remember if the receiving spouse is between age 67 and 74 (inclusive) they must satisfy the work test or work test exemption.

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 67 years or older.

Need more information?

If you would like to discuss this further or how it might impact you, call your financial adviser.

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