LORREQUER
Wealth & Advisory

Spouse contributions

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

Benefits

- Investing into your spouse's superannuation boosts your savings to help meet retirement goals.
- The rate of return inside superannuation may be higher after-tax than investing outside superannuation. This is because earnings inside superannuation are taxed at a maximum rate of just 15%, whereas earnings from non-superannuation investments are generally taxed at marginal tax rates. This helps savings to grow faster.
- You may be eligible for a tax offset to help reduce your tax payable. This can increase your disposable income.
- If your spouse is under age 65 (or age 60 if a veteran) his/her superannuation benefits are not assessable by Centrelink/Veterans' Affairs so entitlements may be higher.
- The additional contributions can help your spouse cover the cost of insurance premiums if they hold insurance inside superannuation.

How it works

Your spouse must be under age 65 or between 65 and 70 and have met the work test to be eligible for contributions into superannuation. The work test requires that your spouse has worked at least 40 hours in any 30 consecutive day period in the current financial year. Spouse contributions cannot be made once your spouse reaches age 70.
Spouse contributions count as non-concessional contributions. As such, they are not taxed upon entry into the fund and form part of the tax-free component of the spouse's account.

Non-concessional contribution caps
Contributions made on behalf of a spouse will count towards their non-concessional contributions cap. There is a cap on the total of non-concessional contributions that can be made by you or your spouse into your spouse's superannuation account each year. The non-concessional contribution cap for 2018/19 is $100,000.

If your spouse is under 65 years of age on 1 July, they can bring forward two years' contributions caps. This effectively allows your spouse to contribute the cap amount for that year plus 'bring forward' the next two years' worth of non-concessional cap to make larger contributions if needed. This rule is particularly useful if you are selling a large asset (such as an investment property) and want to contribute the proceeds into super. The bring-forward rule effectively allows contributions up to $300,000 of non-concessional contributions over a three year period.

If you did not use the existing NCC bring-forward limit of $540,000 before 1 July 2017 transitional provisions to determine the maximum available NCC cap will apply. These rules are complex and you should consult with your financial adviser to determine individual NCC caps.

From 1 July 2017 *you must have total super savings of less than $1.6 million at 30 June to be eligible to make (or receive) a NCC the following year.*

If the spouse is utilising the bring-forward rule, the limit will reduce if their total superannuation savings are more than $1.4 million on the 30th of June prior to the financial year in which the bring-forward rule is triggered.

If the non-concessional contribution cap is exceeded, your spouse can choose to leave the excess in superannuation and pay excess tax at the top marginal tax rate (plus levies) or withdraw the excess and associated earnings (as calculated by the Tax Office) and pay tax on the earnings component at his/her marginal rate plus interest penalties.

Low Income Spouse Tax offset

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

The maximum tax offset is $540 ($3,000 x 18%). Your eligibility is based on your spouse's assessable income. If your spouse's assessable income for the financial year is less than $37,000, you will be entitled to a tax offset of up to 18% on the first $3,000 contributed. If your spouse's assessable income is more than $37,000, the 18% tax offset only applies to part of the contribution. The tax offset phases out completely if your spouse's income is $40,000 or more.

Assessable income is the total of your spouse's assessable income, reportable fringe benefits and reportable employer superannuation contributions.

No tax offset will be paid if the spouse receiving the contribution has exceeded their non-concessional contributions cap or their total super balance at 30 June of the previous financial year is $1.6 million or more.

Consequences

- The contribution into your spouse's super will be preserved until your spouse meets a condition of release. You need to be sure that you do not need access to the amount contributed until your spouse retires.
- If you or your spouse exceed your NCC cap, tax penalties can apply.
- From 1 July 2017 if you have total superannuation savings of $1.6 million or more at 30 June of the previous financial year you will not be eligible to make (or receive) non-concessional contributions.
- From 1 July 2017 the total amount of super monies used to start pensions will be capped at $1.6 million. All superannuation income streams are assessed against the transfer balance cap regardless of when it first commenced. You can retain excess amounts in your accumulation accounts where tax at 15% continues to apply.
- Fees may be charged for the spouse contributions. You should check the details in the fee section of your Statement of Advice and the Product Disclosure Statement (PDS) for your superannuation fund.
- The government may change superannuation legislation in the future.

Date: 1 July 2018