

Spouse contributions: Another way to build superannuation savings

What is a spouse contribution?

A spouse contribution is a non-concessional (after-tax) contribution that is made by one spouse to the superannuation account of the other spouse. A spouse contribution can be made by you:

- > regardless of your age (as the contributor);
- > whether your spouse is working or not, as long as your spouse is less than age 65; and
- > if your spouse is older than 65, but less than age 70, so long as the 40/30 work test is satisfied. This means they have worked at least 40 hours in no more than 30 consecutive days during the financial year that the contribution is made.

In order to receive spouse contributions from you, your spouse must satisfy several criteria:

- > You and your partner must be married and living together, or living in a de facto relationship (includes same-sex couples);
- > You and your partner are both Australian residents;
- > Your partner is under 65 years of age, if not working; and
- > For spouses aged over 65, but less than 70, you can only contribute if your spouse satisfies the 40/30 work test rule, as described above.

Making super contributions into your spouse's super fund may provide the following benefits:

- > The contribution will help to build your spouse's superannuation benefit;
- > You (as the contributor) may be able to claim a tax offset when you prepare your annual tax return for the financial year in which you make the contribution; and
- > Building retirement savings for both you and your spouse separately can also provide you with additional options and flexibility when you later plan your retirement income strategy.

How does the tax offset work?

If your spouse is earning less than \$13,800 a year, you may be eligible to receive a tax offset by contributing to a super account on their behalf. The maximum allowable tax offset in any given year is 18% of \$3,000*, which is \$540. This is based on:

- > You making a contribution of \$3,000 to your spouse's account; and
- > Your spouse earning less than \$10,800 a year in assessable income and reportable fringe benefits.

The tax offset starts to reduce if your spouse is earning more than \$10,800, and cuts out when your spouse earns \$13,800 or more per year. The calculation of the rebate takes into account both your spouse's earnings and the actual contribution.

- * The tax offset is calculated as 18% of the lesser of:
- > The amount of the spouse contributions for the year; or
 - > The difference between \$13,800 and the spouse's earnings (above \$10,800).

Calculation example

If you contributed \$1,500 to your spouse's account and your spouse earns \$11,800 per year (i.e. \$2,000 less than the \$13,800 per year maximum allowed), the tax offset would be calculated as:

Tax offset calculation

$$\underline{\$13,800 - \$11,800 = \$2,000}$$

Now you take the lesser of \$2,000 and your actual contribution (\$1,500) and multiply that figure by 18% to work out the rebate:

$$\underline{\$1,500 \times 0.18 = \$270}$$

Available rebate to the contributing spouse: \$270

Note that a tax offset is different to a tax deduction that you may claim against your income. A tax offset is credited against any income tax liability you may have based on your assessable income, or is added to any tax refund that you may receive.

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The taxation information included in this brochure is a general guide only. As taxation laws are complex and individual circumstances vary, you should seek individual taxation advice from a qualified advisor.

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Contact our Helpline on: **1800 682 626** | Visit our website at: **equipsuper.com.au**
Send any correspondence to: **Equipsuper Pty Ltd, GPO Box 4303, Melbourne VIC 3001**

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How do I set up a spouse account?

Your spouse must establish a separate superannuation account, such as an Equipsuper Personal account, in order for you to make spouse contributions. To do the latter, you will need to obtain the Equipsuper Personal Product Disclosure Statement (PDS) and complete the Membership Application and Voluntary Contribution forms. An initial contribution of \$1,000 is required to commence the account.

Note that even though you can contribute to your spouse's account, you do not own or manage the account. All correspondence and decisions relating to your spouse's account are between Equipsuper and your spouse.

What else is there to know about spouse contributions?

All spouse contributions:

- > Are non-concessional contributions i.e. are paid out of after-tax income or savings. (You cannot salary sacrifice your pre-tax salary into a spouse account);
- > Count towards the non-concessional contributions cap of the receiving spouse, (not the contributing spouse);
- > Are not taxed on entry into the fund;
- > Are not taxed when withdrawn from the Fund; and
- > Are preserved in the fund until the spouse satisfies a condition of release such as permanent retirement after reaching minimum retirement age, or reaching age 65.

Please note that salary sacrifice contributions made by your spouse are counted as earnings to determine eligibility for the spouse contribution tax offset that you may claim (as the contributor).

For example, salary sacrifice contribution of \$10,000 made by your spouse who is earning \$20,000 would reduce your spouse's income to \$10,000. However, you would not be eligible to receive any tax offset on any spouse contributions you make in this case.

Additional contributions

Each additional spouse contribution into Equipsuper Personal must be a minimum of \$100 and must be accompanied by a *Voluntary Contributions* form available from our website or by contacting the Helpline.