

• SPOUSE (CONTRIBUTION) SPLITTING



ISSUED: JUNE 2020
VERSION: JUNE 2020

Splitting superannuation contributions to your spouse helps to increase retirement savings in your spouse's name. This can help with future planning and also protect against future legislative changes. In some cases this may also help to increase current Centrelink/Veterans' Affairs entitlements.

BENEFITS

By splitting your superannuation, you are able to:

- Increase superannuation contributions for a spouse, whether married or de facto, who has made limited contributions due to carer responsibilities or part-time work. This contribution will not be measured within your spouse's concessional nor non concessional contributions caps.
- take advantage of individual Transfer Balance Caps at retirement
- access superannuation earlier if your spouse is older
- increase and exclude the value of your spouse's balance from the Centrelink Assets and Income Test, if your spouse is less than Age Pension Age, which may assist you in your application and benefit payment for the Age/DVA Pension.

HOW IT WORKS

You are able to transfer your recent concessional contributions, such as superannuation guarantee contributions and salary-sacrifice contributions, for accumulation accounts (not income streams) and defined benefit interests that are not part of a defined benefit component into your spouse's superannuation account.

To do so, you must complete a nomination to your superannuation fund, indicating the amount and your spouse's superannuation account details. Your spouse must be under preservation age or if aged between preservation age and age 65 must declare that they are not 'retired' to receive your splittable contribution.

Contributions Tax, which is concessionally taxed, is applied before splitting to the spouse's account.

SPLITTABLE CONTRIBUTIONS

The amount of contribution that can be split in a financial year depends on the type of splittable contribution.

| Type of Splittable Contribution | Maximum splittable amount |
|--|--|
| Taxed- salary sacrifice and SGC contributions | The lesser of: 85% of the concessional contributions, and the Concessional Contributions Cap for that financial year |
| Untaxed Splittable Contributions made before 5 April 2007. | 100% of the amount of untaxed splittable contributions that financial year |
| Untaxed Splittable Government Contributions | 100% of the concessional contributions cap that year |

Not all contributions that can split, for example, you are unable to split already rolled over superannuation benefits or foreign superannuation lump sums.

TIMING OF SPLITTING

Splitting is only available for recent concessional contributions.

In general, concessional contributions can only be split in the financial year directly after the financial year that all concessional contributions were received. Concessional contributions can only be split in the same year if a rollover of an entire superannuation balance is planned.

WHAT YOU NEED TO CONSIDER

- You will need to check with your fund or SMSF Trust Deed whether you are able to participate in spouse contribution splitting, as provision of spouse contribution splitting is not a compulsory requirement for superannuation funds.
- Many superannuation funds only offer one splitting contribution per financial year.
- Contributions that are subject to splitting arrangements were already counted in an individual's concessional contributions cap, so are not counted in the receiving spouse's caps.
- You are unable to split contributions that have been rolled over to another superannuation fund or have already used to commence an income stream, such as an allocated pension.
- You will need to consider how and when you implement a splitting request, as only recent concessional contributions can be split. If you wish to apply for a personal tax deductible contribution, notification of a personal tax deductible contribution is required prior to splitting.
- Funds split into a spouse's superannuation account are fully preserved until the spouse achieves a condition of release.
- The government may change legislation in the future

REFERENCES



You may wish to refer to the following websites for further information about spouse [contribution] splitting:

- www.ato.gov.au
- www.moneysmart.gov.au

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.