

Contributions Splitting

Splitting contributions may enable you to build super with your spouse and reduce tax.

Contributions splitting

Super contributions splitting generally allows you to split up to 85% of your employer super contributions and personal deductible contributions with your spouse.

What's in it for me?

Boost the super balance of your spouse and grow your retirement savings as a couple.

Earlier access to super benefits and tax concessions if your spouse is older than you.

Funding insurance through super for your spouse.

A more even split of super balances may be helpful for measure like the transfer balance cap and the total super balance.

Who can this strategy work for?

Contributions splitting may be suitable if you:

- pay a higher marginal tax rate than your spouse, and wish to fund insurance cover for your spouse through super.
- have a spouse eligible to receive super contributions.

- have a spouse who can access super before you want to boost your spouse's super savings
- have or expect to have \$1.7 million (today's dollars) or more in super but not your spouse.

How does it work?

Generally, contributions splitting works on an 'annual split' basis. This means, once a year, you may be able to apply to your super fund to request to split eligible contributions made in the previous financial year with your spouse. Generally, you need to apply before 30 June of the following financial year to request to split contributions in the previous year.

The splitting of contributions from your super to your spouse's super will be treated as a contributions-splitting super benefit. Eligible contributions you split in favour of your spouse will not count towards your spouse's concessional contributions cap.

This is because the contributions, when originally paid into your fund, were assessed against your own concessional contributions cap.

Personal deductible contributions are contributions you make to your super for which you can claim a tax deduction.

Concessional contributions

Concessional contributions are generally subject to 15% contributions tax in your super fund up to set limits. They generally include employer contributions such as Super Guarantee, salary sacrifice contributions and personal contributions for which a tax deduction has been allowed.

Concessional contribution caps

An annual cap on concessional contributions applies each financial year. For the 2021/2022 financial year the cap is \$27,500 regardless of your age, however your cap may be higher if your total superannuation balance was less than \$500,000 at 30 June 2021.

If you exceed the cap, excess concessional contributions will generally be included in your assessable income and taxed at your marginal rate. You will be entitled to a tax offset equal to 15% of your excess concessional contributions.¹

Before splitting

You should be aware that splitting contributions:

- is not allowed, if your spouse is age 65 or over, or is between preservation age² and 65 and has retired.
- is not allowed if you have rolled over or withdrawn your entire benefit.
- is not offered by all super funds.
- is subject to preservation rules and contributions generally cannot be accessed until you retire on or after preservation age or you reach age 65.

Note:

1. Individuals can elect to withdraw up to 85% of their excess concessional contributions from their superannuation. Depending upon the amount effectively withdrawn, excess concessional contributions may also count towards the non-concessional contributions.
2. <https://www.ato.gov.au/individuals/super/withdrawing-and-using-your-super/>

Need more information?

If you would like to discuss this further or how it might impact you, call us at Finspective on **1300 319 377**.

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