September 2021

Welcome to the latest edition of our newsletter,

Our articles cover a range of topics which we hope you will find interesting. We aim to keep you informed of changes as they happen, but we also want to provide ideas to help you live the life you want – now and in the future.

In this edition we discuss

* Spouse super contributions - what are the benefits?
* Salary sacrificing into super - how it works
* The work test and work test exemption explained

If you would like to discuss any of the issues raised in this newsletter, please don't hesitate to contact us.

In the meantime we hope you enjoy the read.

All the best,

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Spouse super contributions – what are the benefits?

If your partner is a low-income earner, working part-time, or currently unemployed, adding to their super could benefit you both financially.

Your other half might be accumulating little or no super at all to fund their retirement if they're not a big-income earner, or they're out of work or working less hours.

If you'd like to help them by putting money into their super, you might be eligible for a tax offset, while potentially creating additional opportunities for both of you.

Below we explain how the spouse contributions tax offset works, in addition to what contributions splitting is and how the two differ.

The spouse contributions tax offset

Are you eligible?

To be entitled to the spouse contributions tax offset:

- You must make a non-concessional contribution to your spouse's super. This is a voluntary contribution made using after-tax dollars, which you don't claim a tax deduction for.
- You must be married or in a de facto relationship.
- You must both be Australian residents.
- The receiving spouse has to be under age 67, or if they're between 67 and 74 they must meet work test requirements, where they'll need to have been employed during the financial year for at least 40 hours over a period of 30 consecutive days. A work test exemption may also apply.
- The receiving spouse's income must be $37,000 or less for you to qualify for the full tax offset and less than $40,000 for you to receive a partial tax offset.

What are the financial benefits?

If eligible, you can generally make a contribution to your spouse's super fund and claim an 18% tax offset on up to $3,000 through your tax return.

To be eligible for the maximum tax offset, which works out to be $540, you need to contribute a minimum of $3,000 and your partner's annual income needs to be $37,000 or less. If their income exceeds $37,000, you're still eligible for a partial offset. However, once their income reaches $40,000, you'll no longer be eligible for any offset, but can still make contributions on their behalf.

Are there limits to what can be contributed?

You can't contribute more than your partner's non-concessional contributions cap, which is $110,000 per year foreveryone, noting any non-concessional contributions your partner may have already made.

However, if your partner is under 67 and eligible, they (or you) may be able to make up to three years of non-concessional contributions in a single income year, under bring-forward rules, which would allow a maximum contribution of up to $330,000.

Another thing to be aware of is that non-concessional contributions can't be made once someone's super balance reaches $1.7 million or above as at 30 June of the previous financial year. So, you won't be able to make a spouse contribution if your partner's balance happens to reach that amount.

There are also different super balance limits in place if you want to take advantage of the bring-forward rules.

How contributions splitting differs

Another way to increase your partner's super is by splitting up to 85% of your concessional super contributions with them, which you either made or received in the previous financial year. Concessional super contributions can include employer and or salary-sacrifice contributions, as well as voluntary contributions you may have claimed a tax deduction for.

What rules apply?

To be eligible for contributions splitting, your partner must be under their preservation age, or between their preservation age and 65 (and not retired). If you're not sure what your partner's preservation age is, check the table below.

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

Are there limits to how much can be contributed?

Amounts you split from your super into your partner's super will count toward your concessional contributions cap, which is $27,500 per year for everyone.

On top of this, unused cap amounts accrued since 1 July 2018 can also be contributed, if they're eligible. Note, this broadly applies to people whose total super balance was less than $500,000 on 30 June of the previous financial year.

Do all super funds allow for this type of arrangement?

You'll need to talk to your super fund to find out whether it offers contributions splitting, and it's also worth asking whether there are any fees.

Your circumstances will play a big part in what you both decide to do. And, as the rules around spouse contributions and contributions splitting can be complex, it's a good idea to chat to us to make sure the approach you and your partner take is the right one.

Salary sacrificing into super – how it works

Salary sacrificing into super involves reducing your take-home pay to put more money away for your retirement. See what you need to know.

Salary sacrificing into super is where you choose to have some of your before-tax income paid into your super account by your employer. This is on top of what your employer might pay you under the super guarantee, which is no less than 10% of your earnings, if you're eligible.

Making salary sacrifice contributions does involve a reduction in your take-home pay, but it also means you could increase your retirement savings while also potentially reducing what you payin tax. If you're thinking about setting up a salary sacrifice arrangement, here are some things to consider.

What can I contribute?

You decide how much you want to contribute (as long as you don't exceed super cap limits) and whether it's a one-off payment, or something you can afford to do regularly.

How much I can contribute?

You can't contribute more than $27,500 per year under the concessional super contributions cap or penalties will apply. It's also important to note that contributions made into your super as part of a salary sacrifice arrangement are not the only contributions that count toward this cap.

Other contributions that count toward your concessional contributions cap typically include:

- Compulsory contributions your employer pays under the super guarantee, including contributions from any other jobs you may have held in the same financial year.
- Contributions you make using after-tax dollars which you choose to claim a tax deduction for.

What are the potential tax benefits?

If you choose to reduce your before-tax income by salary sacrificing into super, a potential benefit is you may be able to reduce what you pay in income tax for the financial year.

That's because contributions made via a salary sacrifice arrangement are only taxed at 15% if you earn under $250,000 a year, or 30% if you earn $250,000 or more a year, with most people generally paying more tax on their income than they do on salary sacrifice contributions.

There could also be further tax benefits as investment earnings made inside the super environment also benefit from an equivalent tax saving, which could make a difference when you do eventually withdraw your super savings and retire.

How do I set up a salary sacrifice arrangement?

If salary sacrificing into super is right for you, here's a quick checklist for how you could set this up.

Make sure your employer offers salary sacrifice

You will need to confirm with your payroll team at work that your employer offers this type of arrangement. If not, you may be able to achieve broadly the same benefits by claiming a tax deduction on contributions you may choose to make using after-tax dollars, but you'll need to consider whether this is right for you.

Decide how much you want to salary sacrifice, how often and when

You might want to salary sacrifice on an ongoing basis, or as a one-off. Also, you can't salary sacrifice income that you've already received, such as a bonus or leave entitlements, so you'll need to act well before this money is paid into your regular bank account if you want to salary sacrifice it.

Notify your employer and get any agreement in writing

If you can salary sacrifice (and you know how much, how often and when you want to do it), contact your payroll team at work to find out what information they need. Ask them to confirm in writing when your contributions will start being paid, so you can check that the contributions are being received into your super account.

Make sure you don't exceed the concessional contributions cap

If you do exceed the cap, additional tax and penalties may apply. Remember, the cap applies to all concessional contributions, whether they're made into one or more super accounts.

It's also worth noting that in addition to your annual cap, you may also be able to contribute unused cap amounts accrued since 1 July 2018, if you're eligible. This broadly applies to people whose total super balance was less than $500,000 on 30 June of the previous financial year.

Everyone's different, so if you're thinking about setting up a salary sacrifice arrangement, consider your circumstances and whether it's the right thing for you.

The work test and work test exemption explained

If you're aged 67 to 74 and want to make voluntary super contributions, you must meet a work test, unless you qualify for an exemption. See what you need to know.

If you're an older Aussie looking to make super contributions, you may have noticed more rules begin to apply as the years go on. If you've heard people talk about the work test and work test exemption rules, below we explain what these are, who they apply to and when.

What is the work test?

The work test requires you to be in paid work (that is employed, or self-employed for gain or reward) for a minimum of 40 hours over a consecutive 30-day period during a financial year, before you're able to make voluntary super contributions.

What are voluntary super contributions?

Voluntary super contributions generally include salary sacrifice contributions, tax-deductible contributions, as well as personal contributions, which you don't claim a tax deduction for. They don't include compulsory SG contributions your employer is required to make into your super fund.

Who does the work test apply to?

If you're age 67 to 74 and want to make voluntary contributions, you'll generally need to satisfy work test requirements, noting that once you reach age 75, you're generally ineligible to make voluntary contributions.

Note, the work test doesn't apply if you're making a downsizer contribution. This is where Aussies aged 65 or over can put up to $300,000 into their super using the money from the sale of their main residence, regardless of restrictions that otherwise apply.

What's the work test exemption?

The work test exemption allows people aged 67 to 74, with a total super balance below $300,000 on 30 June of the previous financial year, to make voluntary super contributions for a period of 12 months from the end of the financial year in which they last met the work test.

To make a super contribution using the work test exemption, you must satisfy all of the following rules:

- you met the work test in the previous financial year
- your total super balance (across any super funds you may have) was below $300,000 at 30 June of the previous financial year
- you haven't previously made contributions to super using the work test exemption

Is there anything you need to do?

You may need to make a declaration with your super fund to confirm you're eligible to make voluntary contributions under the work test. You might also need to make a declaration with your super fund to confirm you're eligible for the work test exemption, so make sure you're across what your super provider may require.

Generally, the last time your super fund can accept a voluntary contribution from you is 28 days after the end of the month you turn 75, unless you're making a downsizer contribution.

What else do you need to know?

- If you're making contributions to your super, there are limits on the amount of concessional and non-concessional contributions you can make each year. If you exceed super contribution caps, additional tax and penalties may apply.
- If you're making spouse contributions the work test and work test exemption also applies to the receiving spouse, as do annual contribution caps.
- When you turn 65, you typically have full access to your super, regardless of whether you're working or are retired.
- The value of your investment in super can go up and down. Before making extra contributions, make sure you understand and are comfortable with any potential risks.

If you'd like more information about the super contribution rules when you're in your 60s and 70s, please give us a call.