Splitting superannuation contributions

1 July 2020 (updated annually)

A super splitting strategy allows single income families to share the ongoing accumulation of superannuation in a similar way to dual income families.

Certain superannuation contributions can be split with your spouse, either within the same fund or to a different fund, providing your super fund permits it. It's important to note, however, that only certain contributions can be split, not the account balance itself and any contributions that are split are counted towards the contributing spouse's contribution cap, not the receiving spouse's cap.

The applicant's spouse is held to be the 'receiving spouse' and must be a person who is either married to the applicant, is in a registered relationship (under certain state or territory laws) or lives with them on a genuine domestic basis in a relationship as a couple. To receive a split contribution, the receiving spouse must be under preservation age or, if between preservation age and 64 years, needs to have met certain conditions, such as, not being retired.

Why split?

- Super splitting allows for a low income earning or non-working spouse to increase their superannuation balance and can therefore protect spouses from future changes to taxes and/or super rules.
- Access to two low-rate caps of $215,000 per person, for those aged between preservation age and 60 when making lump sum withdrawals from taxable components. This may benefit you if you were born before 1 July 1964 and you haven’t reached age 60.
- Super splitting can transfer benefits to an older spouse who may later be able to draw upon tax-free super lump sums from age 60 or commence a tax-effective income stream sooner.
- To improve Centrelink benefits, splitting super contributions from an older spouse to a younger spouse could shield the superannuation assets of the younger spouse from the means test.
- An individual cap of $1.6m applies to the commencement of tax effective superannuation retirement income streams. By super splitting, both members of the couple may effectively use their caps allowing more money to be invested in tax effective superannuation retirement income streams.
- Eligibility to many super measures are linked to an individual’s total super balance including the ability to use your unused concessional contributions cap and the ability to bring forward non-concessional contributions. Super splitting may help one or both members of a couple to maintain their eligibility for these super measures.

Which superannuation contributions can be split?

You may split the following concessional contributions:

- contributions paid by an employer, including superannuation guarantee and salary sacrifice amounts
- personal contributions for which an income tax deduction has been claimed.

What is the maximum amount that can be split?

The maximum amount of contributions you can split in a financial year, is the lesser of:

- 85 per cent of your concessional contributions[1], or
- concessional contributions cap for that financial year (including carried forward concessional contributions if eligible)
- the taxable component in the fund.

When can contributions be split?

You can apply to split contributions either:

- in the following financial year (the application must be made between 1 July following the end of the financial year in which the contributions were made and the following 30 June)*, or
- during the financial year in which the contribution is made if the entire superannuation account is to be rolled over, transferred or cashed before the end of that financial year.

* **Note:** You may want to check with your fund if the application must be received by a certain date.

Which contributions cannot be split?

You may not split the following contributions:

- non-concessional, also known as after-tax contributions, and
- concessional contributions that have already been rolled over, transferred or cashed in.

Case study

Harry, aged 53, is working full time and is married to Ruth, aged 50, who is working part time. They have decided to sell their investment property, owned jointly, creating a net capital gain of $50,000 each. Harry and Ruth didn’t use their full concessional contributions cap in the two previous financial years. They have unused concessional contributions cap of $31,000 and $40,000 respectively. If eligible to use their unused concessional contributions cap, they could make larger personal tax-deductible super contributions to reduce the tax payable on the capital gain.

Eligibility to use the unused concessional contributions cap in the 2020/21 financial year includes a requirement for the individual’s total super balance as at 30 June 2020 to be less than $500,000. Ruth is well below this balance and can use her unused concessional contributions cap to reduce her tax payable on the capital gain. Unfortunately, Harry’s total super balance is just over this amount and he cannot use his unused concessional contributions.

If Harry had been contribution splitting to Ruth, his total super balance at 30 June 2020 would have been less than $500,000 and he would be eligible to use his unused concessional contributions cap.

The following table compares the outcome for Harry if he had super split to Ruth making him eligible to use his unused concessional contributions cap.

	Not eligible to use his unused concessional contributions cap	**Eligible to use his unused concessional contributions cap after contribution splitting**
Salary	$100,000	$100,000
Net capital gain	$50,000	$50,000
Employer super support	$9,500	$9,500
Unused concessional cap from current year	$15,500	$15,500
Unused concessional cap from prior years	Not eligible	$31,000
Personal tax-deductible super contributions	$15,500	$46,500
Tax on personal tax-deductible super contributions	$2,325	$6,975

Tax on taxable income	$39,952	$27,187
Total tax payable*	$42,277	$34,162

*Excludes tax on the employer super support which is consistent across both scenarios.

Harry could have saved an additional $8,115 in tax if he had super split to Ruth, bringing his total super balance below $500,000 at 30 June 2020, allowing him to take advantage of his unused concessional contributions cap.

For more information please contact us on 1300 308 440.